Complied Input on Congestion Management "Convergence" Framework Input		
Description of Issue	**Brief Description of Concerns Relating to This Issue**	**Brief Description of Proposed Resolution to Address Stated Concerns**
A. Market Design and Operation of the Market		
A1. "Sunset" (requirement for RTO West Board of Directors to thoroughly evaluate congestion management approach after three years of operation and decide whether or not to continue or modify it)	***Ren Orans (BCH)*** This has the ability to: a) prevents conversion of contracts b)RTO cannot sell a long term contract beyond 3 years ***Steve Walton (Enron)*** A full review is sound, but the concern seems to be that rights will be altered at the review. ***Alan Davis*** [No comments provided] ***Wally Gibson (NWPPC)*** [No comments provided] ***Lon Peters (PGP)*** We need clarity on (1) whether this is an obligation or an option, (2) the criteria that the RTO will apply in its "thorough evaluation", (3) the process that will be	***Ren Orans (BCH)*** We should develop rules that assure that converted contracts in years 1 through 3 have no less options than a non-converted contract at year 3. ***Steve Walton (Enron)*** Characterize as a full scale review, not a sunset/start over. Principle of review should be like the principles of the framework, i.e., the rights in place before the review will survive the review, although new service after any new system may differ. If new construction occurs in the interim. The rights granted the builder will also survive the review. ***Alan Davis*** [No comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)***

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	followed for such evaluation, and (4) the rights that market participants will have to appeal both the evaluation itself and any consequences of the evaluation. ***D. VanCoevering (UAMPS & PNCG)*** [no comments provided] ***Mike Ryan (PGE)*** Unless we believe that the "Day 1" congestion management does or will satisfy all the attributes listed in Paragraph 7 (which is far from certain), then the RTO can substantively redefine congestion management in just three years. This means that the Filing Utilities' contract with the RTO will provide no meaningful limits on the changes that the RTO can implement. ***Nancy Baker (PPC)*** A "sunset" will discourage conversion of existing contract rights. ***Linc Wolverton (ICNU)*** The "sunset" introduces a chilling effect on market activity. Buyers or sellers would be uncertain as to the value of longer-term transactions if there is a possibility	[no comments provided] ***D. VanCoevering (UAMPS & PNCG)*** [no comments provided] ***Mike Ryan (PGE)*** Rather than a "sunset", we need to define an "end state" for congestion management that we can transition to after three years. That end state should not significantly depart from the conceptual framework envisioned in the March 1, 2002 TOA except. However, to the extent that individual elements have not succeeded in achieving that end state, these elements could be redesigned and/or replaced as necessary. ***Nancy Baker (PPC)*** The RTO will have the authority to make appropriate model changes as it sees necessary. It should continually evaluate the model and consider changes, but no time line should be imposed for retaining or rejecting the model. ***Linc Wolverton (ICNU)*** The mandatory sunset should be eliminated and

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	of terms and conditions of sale being changed. This problem gets particularly acute as the sunset date gets nearer. Actions which chill possible market activity clearly violate the intent of Order 2000. ***Terry Mundorf*** A sunset provision will discourage conversion by PTP holders until the sunset date is passed. ***Eric Christensen (SNOPUD)*** Sunset will discourage conversion by PTP holders until sunset date has passed. Rights of interested parties to participate in sunset review not clearly spelled out ***Patrick Maher (Avista)*** Concern is that the model achieved by the Stakeholders will be thrown out at the whim of the RTO Board at three years. This uncertainty will stymie long term transmission contract activity. ***Phil Mesa (BPA-T)*** Need to be careful <u>not</u> to word the "Sunset" to mean there is a complete "jump ball" when it occurs. The	replaced with an option in three years to seek FERC approval of a sunset under the condition that the system is "broken." The attributes guiding a revisiting should be retained, if FERC permission is granted to reopen the congestion-management process. ***Terry Mundorf*** A sunset provision will discourage conversion by PTP holders until the sunset date is passed. ***Eric Christensen (SNOPUD)*** Allow PTP holders who convert to revert to PTP contracts at sunset date if sunset review materially changes the congestion management model All interested parties should have opportunity to provide input into Board decision to modify or not modify the congestion management model, perhaps via the Stakeholder Advisory Board. ***Patrick Maher (Avista)*** It should be confirmed that the Sunset is merely a review of the system in place with no drastic changes unless the system turns out to be grossly malformed (see California, USA).

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	balance between preservation of pre-existing rights with no cost shocks and the need to create a liquid transmission market should not be lost when the Sunset occurs. ***Kieran Connolly (BPA-P)*** Sunset will create even more pressure for temporary conversion – trying to protect against future loss of contract rights. Makes balancing act between converted and non-converted even more important. ***Shelly Richardson (NRU)*** Re-evaluation of the congestion management model must continue to honor transmission rights for load service through the term of existing contracts. "Sunset" should not be read to mean terminate the convergence framework at end of three years. ***Jim Toal (PacifiCorp)*** No major problem with this issue, except as noted alongside. PAC broadly favours RTOW regularly reviewing the operation of the CM scheme to see if it can be improved. ***Tom Foley***	***Phil Mesa (BPA-T)*** Memorialize the RTO's objectives as a set of principles and have the "Sunset" provision take the form of a comprehensive review. The RTO should have the freedom to keep whatever components are working well, or, if appropriate continue the proposal. The "Sunset" should not limit the RTO from taking immediate corrective action as problems arise. ***Kieran Connolly (BPA-P)*** Conversion process must recognize both the rights of the converter and preservation of service to the non-converted. ***Shelly Richardson (NRU)*** Recognition of and provision for transmission rights sufficient to serve load, post-re-evaluation, should be memorialized in an outline of principles that RTOW Board's re-evaluation must include. Preservation of rights is equally applicable to non-converted and converted rights; permit converted rights to revert to their prior contract if the "Sunset" produces a material change to the congestion management model. ***Jim Toal (PacifiCorp)***

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	I think that the concept of a sunset obscures the probable reality that the model will have to be tweaked from day one. It is unlikely that we will get it right in the design phase. ***Tom Delaney & Phil Muller*** No issue as long as the Board is truly Independent. However, no need to fix something that isn't broken ***Ron Schellberg (IPC)*** It might prevent or limit conversion of contracts to tradable rights	RTOW should honour the terms of any long-term contracts in force at the time of any major change, whether PEKs or new one entered into in years 1-3. ***Tom Foley*** Define a general process for continual review of the CM model. The review, based on the governance already agreed to would be conducted by most of the same people in the CMCG. The continual review would give them a chance to change the model once they saw how it performed. My guess is that by Year 3 everyone would be "satisfied" with the modified model. ***Tom Delaney & Phil Muller*** Default position should be that approach continues absent RTO Board decision to change it. ***Ron Schellberg (IPC)*** Add principle to "Sunset" framework that recognize and maintain the tradable rights after the "Sunset" Period
A2. Liquidity – how defined? What is the toolbox? Comparability.	***Ren Orans (BCH)*** Liquidity means "one can get it if he/she is willing to pay the market price."	***Ren Orans (BCH)*** A measurable definition (e.g., volume = 20% of total FTO issued) may not reflect liquidity if the trading

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	Steve Walton (Enron) Liquidity Concerns: 1) The viability of the balancing market – there must be enough activity that reliable prices are produced. 2) A viable and active secondary market in FTO ***Alan Davis*** A market without sufficient liquidity is a failed market. If the mechanisms that the RTO is proposing to convert contracts do not result in a robust and liquid market, then the RTO's proposed congestion model will not meet FERC's requirements for a market-based mechanism. Therefore whatever the working group produces must result in a market that has sufficient liquidity to actually work. The compromise proposal starts by creating a process for conversion of contracts that the filing utilities believe will create sufficient liquidity—if not then the RTO will step in and fix the problem. The issues are sufficient liquidity and how is it defined –in essence how will the RTO recognize the problem? What tools does the RTO need to fix the problem? and how can a voluntary conversion process where one set of market participants are currently advantaged, by having contracts and also owning generation, result in a non discriminatory process for	volume is done among affiliates. Number of bids, number of asks, and bid-ask spread are useful metrics to measure the degree of liquidity. ***Steve Walton (Enron)*** Liquidity Tools: 1) Allow losses to be settled financially in the balancing market 2) Design FTOs to have value when traded 3) Prohibit existing right holders from withdrawing physical capacity from use 4) Define Hub-to-Hub standard FTOs ***Alan Davis*** 1. Make sure that whatever process for conversion is used will actually result in rights available in the market for purchase. 2. Define liquidity in a clear way that all understand so should liquid markets not result, the Board will know 3. Give the Board a strong set of tools to use and the ability to use them quickly should insufficient liquidity result from the initial market design as the RTO begins operation 4. Make sure that whatever is developed can be implemented and used in a non discriminatory manner

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	rights and use by non incumbents that currently do not have rights, but are willing to pay for them ***Wally Gibson (NWPPC)*** [No comments provided] ***Lon Peters (PGP)*** Potential for excessive discretion for the RTO to change the rules because of "insufficient liquidity". ***D. VanCoevering (UAMPS & PNCG)*** The definition of Lack of Liquidity should not apply to paths that are fully utilized. If fully utilized nothing can be done to increase Liquidity except adding capacity. ***Mike Ryan (PGE)*** [no comments provided] ***Nancy Baker (PPC)*** The use of liquidity tools should not reduce existing contract rights, increase risks unduly or threaten reliability standards. ***Linc Wolverton (ICNU)***	***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** Rely to the greatest extent possible on voluntary exchanges to promote liquidity (see also below on partial conversion of physical to financial rights). Develop a specific but limited list of "tools" that the RTO is permitted to employ during the first three years to promote liquidity. Develop criteria that the RTO must meet before employing these tools. Ensure that the tools do not interfere with voluntary bilateral trades and with pre-existing contract rights. ***D. VanCoevering (UAMPS & PNCG)*** Institute rules that prevent capacity going unused but prevent taking existing rights. ***Mike Ryan (PGE)*** I've been doing a lot of thinking about this, and exchanging ideas with Ren and his people. One measure of liquidity might be whether or not all FTOs made available by the RTO in its auctions are actually

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	It is not sufficient to say that liquidity is the acceptance of all schedules. Liquidity means using the transmission system to enable market access sufficient to ensure that all users either face directly or indirectly the cost or opportunity cost of transmission rights. Existing owners should not be allowed to tie up transmission capacity until the last possible moment (except to honor contracts in existence). Short-, medium and long-term transactions should be encouraged. Nor should liquidity be achieved by excessive incentives to free up transmission. Current transmission holders should be accorded their rights—no more and no less—and react to market prices as they emerge. Liquidity is <u>not</u> having the marginal user paying the difference between the incremental and decremental prices on the end of the transmission system without actual use of that system. Power users already have the right to buy and sell at either end of a transaction. Liquidity requires use of the transmission system. ***Terry Mundorf*** Liquidity cannot be obtained by reducing or removing rights of PEC holders. Liquidity will be impaired if PEC holders are not encouraged to make capacity available to new users.	sold. I'd argue that if FTOs are "left on the table" because no one values them at or above the RTO's projected inc/dec costs to produce them (which implies that the RTO will not sell FTOs at a loss), then there is liquidity. This should be an important consideration in RTO auction design. I think the number of unused FTOs (i.e. FTOs bought in the RTO auction but not applied in actual scheduling) might also be a measure of liquidity; in a liquid market, I'd expect this number to be small. ***Nancy Baker (PPC)*** Liquidity tools must be assessed for cost and risk shifting and the RTO must test for cost (and risk) shifting before it uses any liquidity tools. ***Linc Wolverton (ICNU)*** Minimize incentives. Minimize payments to existing contract holders at the expense of benefits to all rate payers. ***Terry Mundorf*** Liquidity should be obtained, consistent with preserving rights under PECs, by increased operating efficiency and incentives for conversion.

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	Eric Christensen (SNOPUD) Liquidity will be discouraged if PTP holders are discouraged from reselling unused capacity Risks associated with RTO errors in selling off unused capacity based on, for example, incorrect forecast of ATC may substantially increase uplift costs ***Patrick Maher (Avista)*** We have a concern that liquidity may be extremely hard to achieve in many parts of the Northwest. The RTO should not be wrongly incented to implement tools and uplift costs just for the sake of liquidity. ***Phil Mesa (BPA-T)*** A) Liquidity – need to have a clear definition so that a lack of liquidity would not be indicated by the wrong things (e.g. a fully utilized path with little or no ATC, or thin trading on less significant paths). B) Toolbox – Costs of incentives to increase liquidity should not be placed on the "cataloged" rights-holders that have not converted to FTOs (this would create a perverse financial penalty for not converting).	PTP holders should be permitted to partially convert PEC rights (partial amounts and finite time periods) for the shortest practical periods to increase liquidity. ***Eric Christensen (SNOPUD)*** PTP holders should be allowed to partially convert contracts, including converting part of capacity rights and converting capacity for specific periods of time. The RTO should not impair sales of unused rights under unconverted PTP contracts. Costs of RTO errors in this regard should be assigned to those receiving capacity created by RTO through use of toolbox, not to those taking capacity under PECs ***Patrick Maher (Avista)*** The tools in the tool box need to be developed further. Do the tools have to be used in a particular sequence? Rules for new construction cost-effectiveness need to be defined. ***Phil Mesa (BPA-T)*** A) Liquidity – add criteria that must be met in order for there to be a true "liquidity" problem. The criteria should be set up so that a fully utilized path with no ATC would not meet the criteria.

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	Kieran Connolly (BPA-P) A) Liquidity isn't limited to TX market. For example if there is no redispatch or balancing energy in an area and the line is fully loaded you won't see TX transactions and the reason isn't TX liquidity, it is demand inelasticity and the lack of alternatives for load service. B) The NW uses a high percentage of non-dispatchable resources to meet load. These often require multiple paths or hedges to gain congestion protection because of uncertainty and low generation factors. If those entities are unwilling to sell that price certainty forward, this is not necessarily withholding, it is risk tolerance. C) Toolbox has to be enticements rather than punishment (otherwise you will inevitably punish the innocent as well). D) Comparability – Beyond the diversity effects and any benefits from a disinterested RTO determining where there is ATC the RTO can't magically "create" new long term rights for congestion protection without building or taking them away from someone else, we've yet to make progress on the former and the latter is unacceptable. ***Shelly Richardson (NRU)*** a) Definition and creation of "liquidity" cannot reduce or eliminate existing rights of transmission customers serving load.	B) Toolbox – Costs of incentives to increase liquidity should be shared among those wanting to gain such rights. ***Kieran Connolly (BPA-P)*** A) Liquidity must be measured holistically, within the context of the effectiveness of RTO markets and the operational realities of load service. B) The RTO cannot legislate what someone's risk tolerance should be, it can only provide transparency as to the cost of that choice. The RTO can be the safety valve for markets by ensuring that when parties that carry multiple hedges closer to real time than the market would like the unused portions are made available by the RTO the market can "take advantage" of the overly cautious. C) Comparability – The toolbox has a proposal to allow the RTO to invoke planning for a liquidity market failure, all we have to do is let them use it. ***Shelly Richardson (NRU)*** a) Memorialize principle of "preserve contract rights to serve load" as a component (limitation?) of liquidity definition and toolbox. b) Permit partial conversion (temporal or capacity) of preexisting transmission rights; conversion of rights for

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	b) Liquidity should be incented, not compelled. ***Jim Toal (PacifiCorp)*** PAC supports measures to assure a liquid secondary market in FTOs – whatever they are. But the tools proposed address only the primary release of FTOs, which we believe should be prescribed by limits on RTOW acting as a reasonable and prudent operator, and not require it to exceed those bounds. ***Tom Foley*** You need it, if markets are to work. How you get it? Take your best shot. Are the 5 tools the right ones? Don't know. ***Tom Delaney & Phil Muller*** Liquidity is vital to successful RTO. Market rules and structure should be designed with liquidity as primary concern. ***Ron Schellberg (IPC)*** How does the size of the pipe impact liquidity? Is there a liquidity issue with a large demand on a small Pipe?	short blocks of time (e.g., 6 month increments) provides greater incentive to rights holder to convert. ***Jim Toal (PacifiCorp)*** PAC believes this is a Market Monitoring issue, that should be managed by appropriate powers to take action against defaulters. We need to define tools that allow RTOW to facilitate (but not enforce) secondary trading, without risking added costs/unreliability for load service. Expansion to relieve FTO illiquidity (solidity?) just shifts the problem to Planning CG. ***Tom Foley*** Take our best shot, give the RTO clear instructions that liquidity is important, and work with it to make sure it happens. We are going to have to tweak everything post RTO operation date. ***Tom Delaney & Phil Muller*** RTO should work with stakeholders to maximize liquidity. Emphasis should be on development of effective market rules and rational structure rather than RTO intervention/participation in markets. ***Ron Schellberg (IPC)***

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		Build. It may be difficult to define hard measures that will work for all paths.
A3. Ability of party to engage in bilateral counter-schedule & hedging transactions	***Ren Orans (BCH)*** This is necessary for trading liquidity and price discovery. ***Steve Walton (Enron)*** [no comments provided] ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** Potential for the RTO to interfere with bilateral trading. ***D. VanCoevering (UAMPS & PNCG)*** [no comments provided]	***Ren Orans (BCH)*** This is necessary for trading liquidity and price discovery. ***Steve Walton (Enron)*** [no comments provided] ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** Limit the RTO's role to verifying the counter-schedules. Prohibit the RTO from interfering with any financial hedging activities that are entered into voluntarily by market participants.

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	Mike Ryan (PGE) [no comments provided] ***Nancy Baker (PPC)*** To the extent that unconverted contracts provide rights to bilateral counter-scheduling, those may not be restricted. Ability to hedge must be available to all parties. ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** Bilateral market may be inhibited if PEC rights not tradable. ***Eric Christensen (SNOPUD)*** Bilateral trades of PEC capacity should not be inhibited by the RTO RTO should allow netting by Scheduling Coordinators to increase capacity/liquidity	***D. VanCoevering (UAMPS & PNCG)*** [no comments provided] ***Mike Ryan (PGE)*** I agree scheduling needs to have this ability, and think this is embodied in the SC "balanced schedule" concepts we developed in Stage 1. ***Nancy Baker (PPC)*** Existing contract rights must be catalogued and scheduling procedures must be checked to ensure that the exercise of these rights is permitted without penalty. ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** Bilateral market may be inhibited if PEC rights not tradable. ***Eric Christensen (SNOPUD)*** RTO should allow continued bilateral trading of unused capacity from PTP contracts; RTO should not take

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	Patrick Maher (Avista) The secondary market should be a true market that will stretch the limits of allowable use while staying within operational limits. ***Phil Mesa (BPA-T)*** This should be allowed, however any risk associated with counter-schedules or other hedging mechanism not materializing should be born solely by the party. ***Kieran Connolly (BPA-P)*** [no comments provided] ***Shelly Richardson (NRU)*** Bilateral transactions (as opposed to participation in RTO's FTO market) if permissible under contracts should be available to any entity with transmission rights, whether contract is converted or not. ***Jim Toal (PacifiCorp)*** No problem with traders entering into energy swaps or other hedging contracts. But we are concerned that RTOW might get involved in long-term forward energy contracts, and look to be assured that its 'matchmaker'	measures that would inhibit trades in this secondary market SCs should be allowed to resell capacity created by netting of schedules ***Patrick Maher (Avista)*** Rules should be set that make the RTO not have any preferencial power over secondary markets. It should be a fair fight for transmission and inc / dec markets. ***Phil Mesa (BPA-T)*** Add a provision that recognizes that a party that brings and successfully implements its own hedging mechanism should not be subject to congestion costs. ***Kieran Connolly (BPA-P)*** RTO could support this by supporting market in forward re-dispatch transactions (not taking positions) ***Shelly Richardson (NRU)*** Where existing contract permits bilateral transactions, allow same without requiring conversion of said contract. Bilateral counter-scheduling and hedging transactions by third parties (inc. RTO) that result in

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	role doesn't compromise its ability to buy the least cost inc/decs to manage congestion. ***Tom Foley*** Yes ***Tom Delaney & Phil Muller*** See Attachment A ***Ron Schellberg (IPC)*** Should parties be allowed to buy Inc/Dec's in completion with RTO West? There may be trouble with the scheduling mechanics.	diminution of existing contract holders' rights to serve load are forbidden. ***Jim Toal (PacifiCorp)*** PAC believes that bilateral counter-trades can readily be accomplished by the traders pairing off within a single SC's schedule. This avoids any problems with liability for default, tracking of imbalances and on-the- fly settlement, without complicating or needlessly extending RTOW's role in CM. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** See Attachment A ***Ron Schellberg (IPC)*** Parties should be allowed to buy Inc/Dec's outside the RTO, it can't be avoided. When a schedule is cut due to the limit price, there is an implicit Inc/Dec in the sending/receiving areas. Does there need to be an explicit mechanism for this?

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A4. Hub-to-hub trading? (segmentation of FTOs)	***Ren Orans (BCH)*** This is necessary for trading liquidity and price discovery. ***Steve Walton (Enron)*** Lack of standardization will result in a mishmash of thousand of point-to-point rights which are difficult to trade. ***Alan Davis*** The real issue here is what is the definition of the right that one gets under this model ***Wally Gibson (NWPPC)*** 1 - Not clear that FTOs can be uniquely segmented into pieces that are independently exercisable without losing any simultaneous feasibility attributes attached to the original FTO. 2 - Not clear that hub-to-hub trading can be established without recreating contract paths (i.e., fictional transactions loosely related to transaction flows). 3 - Not clear that hub-to-hub transmission trading is necessary for hub-to-hub pricing of power transactions that don't physically source or sink at the hub.	***Ren Orans (BCH)*** Segmentation of FTO can occur naturally, if the RTO allows trading of portions of a FTO that encompasses many hubs. ***Steve Walton (Enron)*** Establish an initial set of Hubs based on bus price averaging. In converting a load service point-to-point right to FTOs, issue as right from injection bus to nearest Hub, from Hub-to-Hub from standardized set, and Hub to load zone. Load zones prices based on load weighted average of load bus prices. ***Alan Davis*** The right that is issued must be clearly defined. ***Wally Gibson (NWPPC)*** 1 - Needs to be established. 2 - If not, see Question 3. 3 - Needs to be established. ***Lon Peters (PGP)*** Develop objective criteria by which pre-existing bus-to-bus physical rights may be decomposed into segments

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	Lon Peters (PGP) Potential for the RTO to interfere with natural evolution of trading hubs based on decentralized decision-making. ***D. VanCoevering (UAMPS & PNCG)*** [no comments provided] ***Mike Ryan (PGE)*** As Arnie demonstrated recently, a hub-to-hub transmission right can not be segmented cleanly unless the rights are obligations rather than options. ***Nancy Baker (PPC)*** [no comments provided] ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)***	with tradable huh-to-hub components. Limit the RTO's role to verifying the feasibility of the decomposition and the resulting schedules. ***D. VanCoevering (UAMPS & PNCG)*** [no comments provided] ***Mike Ryan (PGE)*** It seems to me that the RTO will have to perform the "segmentation". The holder would have to submit the hub-to-hub right to the RTO, along with the segments he/she wanted it broken into. The RTO then needs to project any increased congestion costs this will cause, and then ask the holder to pay that cost. If the holder agrees, the RTO issues the segmented rights; otherwise the RTO returns the original hub-to-hub right. Or we can change rights to obligations…. ***Nancy Baker (PPC)*** [no comments provided] ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf***

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	Model lacks definition Breaking transfers into hub-to-hub components and separately reselling components may create congestion that was not associated with the original transfer ***Patrick Maher (Avista)*** Segmentation of FTOs is a Pandora's box ***Phil Mesa (BPA-T)*** FTOs generated from pre-existing rights that are not equivalent to the base "catalogued" use of the transmission grid creates additional congestion costs. ***Kieran Connolly (BPA-P)*** A) Need to work out how congestion caused by translation (if any) and residual congestion (bus-to-hub and hub-to-bus) are paid for. B) Segmentation creates a significant opportunity for Cost/Risk shifting ***Shelly Richardson (NRU)*** Current contracts permit changes in points of injection and withdrawal; segmenting FTOs by hub assumes hub definitions are fixed and therefore, rights are fixed.	[no comments provided] ***Eric Christensen (SNOPUD)*** Further definition of hubs, perhaps based on information from flow-based models, is necessary. The congestion costs created by breaking up a transfer into hub-to-hub components must be assigned to the parties purchasing those hub-to-hub components ***Patrick Maher (Avista)*** Again, our feeling is to carefully set up Hubs using the existing trading Hubs as a start. Let additional Hubs form as the Market develops. Trying to segment existing contracts would be a nightmare. See A6. ***Phil Mesa (BPA-T)*** Specify that segmentation of FTOs that were created from "cataloged" pre-existing rights must represent an equivalent use of the transmission grid. ***Kieran Connolly (BPA-P)*** Segmentation rights would have to be determined by the RTO. Parties would have to recognize that 100Mw of

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	Jim Toal (PacifiCorp) We need to understand how FTOs will be used and traded, before PAC can take a position on this. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** Needs more discussion ***Ron Schellberg (IPC)*** Hub to Hub rights might not be segmentable	A to C rights, may be infeasible as segments A to B and B to C or may result in fewer FTOs on the segmented paths than the original right. ***Shelly Richardson (NRU)*** Hubs (and the resulting FTOs) should be defined with enough flexibility to track rights currently existing in NT and PTP contracts (e.g., to change points of injection and withdrawal). ***Jim Toal (PacifiCorp)*** PAC will work with the proponents of tradable and fractional FTOs to clarify this issue and examine its implication for our topmost objective. ***Tom Foley*** If you go to the extreme granularity, by definition no trading will be done, because only one person wants delivery to a specific meter. It's a problem with IWRs. Hub to hub trading at least has to be allowed, with uplift to and from the hubs. ***Tom Delaney & Phil Muller*** We should have no problem whether holders of FTOs choose to keep hub-to-hub rights bundled or segmented

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		Were should have a concern is the conversion of contracts and load serve obligations can choose what they can convert. Please see B1, and B2 below. ***Ron Schellberg (IPC)*** Allow RTO to Translate HubA-HubC to HubA-HubB and HubB-HubC products, assuming neutral impact
A5. What is the long-term product – tying back to planning / expansion – what are rights associated with expansion?	***Ren Orans (BCH)*** No long term products, few long-term bilateral deals. ***Steve Walton (Enron)*** Without long term property right definition, a party willing to build to avoid congestion must have the right to protection from that congestion in the event that congestion recurs as network grows. ***Alan Davis*** If this model does not create a long-term right, it will be extremely difficult for a new generator to build in the RTOW service territory with any certainty that the generator can get its product to market using the transmission system. If transmission expansion is necessary, then the investor in that expansion must get a	***Ren Orans (BCH)*** The RTO may sell long-term products if the user is willing to pay the incremental cost of the long-term FTO. The incremental cost can be cost of expansion or a competitively procured inc/dec long-term contract. The party paying the expansion receives the FTO of the expansion. ***Steve Walton (Enron)*** Builder requests a set of Injection/Withdrawal rights prior to construction, RTO West planning verifies that the investment to made will produce the physical capacity to support those rights, RTO West registers right for period (fixed number of years (20+?) or for life of facility) and the converts those rights to FTOs in an annual/semi-annual basis.

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	long-term fungible and tangible right for investing in the system. Without this right, there would be no reason for an investor to invest in transmission expansion. ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** [no comments provided] ***D. VanCoevering (UAMPS & PNCG)*** [no comments provided] ***Mike Ryan (PGE)*** Tying payments for expansion back to FTOs gives the builder a perverse incentive to maintain or even increase congestion so that he/she collects more from FTO sales. Who will finance expansion that actually eliminates congestion? ***Nancy Baker (PPC)*** At least three separate issues are presented here: 1.the need for the RTO to offer a long term transmission product with price stability; 2. the need to expand the	***Alan Davis*** The RTO must create and define a long-term right that will allow for long-term use of the system with a reasonable degree of price certainty. There must be an auction process for these long-term rights. This same or a very similar long-term product must be available for those willing to invest in system expansion. ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** New long-term rights associated with expansion should be defined on a bus-to-bus basis, subject to the same rules of decomposition to permit trading of hub-to-hub segments that apply to the segmentation of pre-existing rights. ***D. VanCoevering (UAMPS & PNCG)*** [no comments provided] ***Mike Ryan (PGE)*** Perhaps builders should receive fixed payments that provide a reasonable, guaranteed rate of return on

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	system to support long-term contracts and whether the RTO should have authority to do so; 3. Allocation of cost responsibility for construction and ownership. ***Linc Wolverton (ICNU)*** Permanent rights should be given to those who pay for facility upgrades. These right probably will have to be allocated according to flow-path analyses rather than injection/withdrawal pairs. ***Terry Mundorf*** Market based congestion pricing may result in price volatility that cannot be managed by load serving entities. ***Eric Christensen (SNOPUD)*** Market-based congestion management is likely to result in extreme price volatility, especially where congestion becomes chronic ***Patrick Maher (Avista)*** Our concern is that there will be a push for expansion that is paid for by uplift. Those that pay for expansion should get the rights and profits from the expansion	investment. ***Nancy Baker (PPC)*** Several possible solutions exist but further discussion is required. ***Linc Wolverton (ICNU)*** Allocate permanent rights on flow-path basis and assign "property rights" to the segments which are upgraded. [See attached Spokane-Seattle Example]. ***Terry Mundorf*** Ability to buy long term (multi year) congestion cost protection (by way of financial instrument or capital addition) must be clearly established and available on all congested paths. ***Eric Christensen (SNOPUD)*** Long-term instruments protecting rights holders from congestion costs must be available. These can be tied to, for example, long-term commitments to new physical capacity or long-term financial instruments. ***Patrick Maher (Avista)***

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	Phil Mesa (BPA-T) A) We need to make sure there are no inherent disincentives for an entity to invest in transmission expansion. B) We need to include details (rules and procedures) on how new generation will be integrated into the system. ***Kieran Connolly (BPA-P)*** Because catalog will need to be updated (at least annually for NT contract load forecasts and POR/POD change requests) RTO will have to be careful about the multi-year rights it sells from "available ATC". ***Shelly Richardson (NRU)*** "Convergence" model may produce excessive ("market-based") congestion clearing costs for service to loads. ***Jim Toal (PacifiCorp)*** PAC wishes to develop real incentives for prospective investors in system expansion to relieve congestion. Not yet convinced that handing out FTOs accomplishes this. ***Tom Foley***	Let the market determine expansion. If no one thinks it is cost effective to put a bunch of poles in the ground, why should the RTO do it and uplift it to everyone? ***Phil Mesa (BPA-T)*** A) An entity that expands the transmission capability (increases ATC) should be issued L/T FTOs for the differential between the end points of the expansion. B) More details are needed. ***Kieran Connolly (BPA-P)*** With expansion the FTOs need to belong to the "expander." We need to work through the issues around building and perverse incentives (can excess rights be withheld or min. priced? How do you get free rider beneficiaries to pay?) ***Shelly Richardson (NRU)*** To capture the principle of "preserve contract rights to serve load" in planning/expansion, current contract holders and "new entrants" share costs of system expansion ("peanut butter" over all schedules). ***Jim Toal (PacifiCorp)*** This will follow from 4. Some form of reserve price on

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	[no comments provided] ***Tom Delaney & Phil Muller*** Sponsors must receive permanent rights in return for transmission investment, and right must reflect impact of investment Sponsors should receive all rights created by their investment. ***Ron Schellberg (IPC)*** [no comments provided]	FTOs auctioned following the expansion may be required. But we reserve our position until we better understand how this (or a levy on schedules using the expansion) affects congestion pricing. ***Tom Foley*** Somehow,expansion, including alternative non-wires solutions have to be quasi-ratebased. It could be done by selling subscriptions to the carrying capacity made available by the expansion, e.g. A single entity getting FTOs, which might be worthless after expansion is not enough., because of the lumpy nature of transmission. That is, there willl be more than he/she can use, but the remainder may be worthless. ***Tom Delaney & Phil Muller*** I believe both answers should be yes. Yes, long-term rights should be available under this proposal. If I build transmission to get a hub-to-hub right then that's what I get, if I wanted to use a specific facility then THAT is what I receive. Nevertheless, this needs further definition and discussion. ***Ron Schellberg (IPC)*** Investment receives a Injection/withdrawal pair right consistent with studies similar to non-converted

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		contracts
A6. Granularity - bus to bus? Nodes? (*also listed under C*)	***Ren Orans (BCH)*** Should we schedule and calculate congestion costs on a hub or node basis? ***Steve Walton (Enron)*** Price accuracy and avoidance of residual congestion effect. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** [no comments provided] ***D. VanCoevering (UAMPS & PNCG)*** Bus to bus will make transmission rights less tradable.	***Ren Orans (BCH)*** The operational model needs to see schedules at the node level. However, tradable products need to be simplified in the commercial model. ***Steve Walton (Enron)*** Real time dispatch program produces nodal (bus by bus) prices. Combine in to load zone prices, generation plant prices(aggregate buses for multi unit plants) and hub prices (to enable trading and FTO standardization such as Mid-C, COI, etc.) using load weighted averages. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** [no comments provided]

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	Mike Ryan (PGE) How are "hubs" defined? What method is used to determine which hubs are used to convert "bus-to-bus" rights into "bus-to hub", "hub-to-hub", and "hub-to-bus" rights? ***Nancy Baker (PPC)*** [no comments provided] ***Linc Wolverton (ICNU)*** Too little granularity would increase intra-hub congestion costs that have to be uplifted. ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)*** Translation of contracts with multiple PODs/PORs into larger nodes or zones is very difficult and generally results in a loss of the flexibility enjoyed under existing contracts ***Patrick Maher (Avista)***	***D. VanCoevering (UAMPS & PNCG)*** Larger nodes or zones will reduce complexity and enhance tradability of transmission rights. ***Mike Ryan (PGE)*** I'm not sure that "hubs" are different from the "zones" we tried to define earlier. Both are loosely defined as collections of buses amongst which there is no commercially significant congestion. If so, then the hubs to use for bus-to-bus rights are the hubs that the buses belong to. ***Nancy Baker (PPC)*** [no comments provided] ***Linc Wolverton (ICNU)*** Intra-hub congestion costs should be charged to that hub. ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)***

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	Our concern here is that we (the CMCG) will be caught in a never ending battle over the number of zones (again). Everyone has an agenda and is not very willing to budge. ***Phil Mesa (BPA-T)*** Definition of nodes must be precise enough to assure that catalogued rights do not go beyond the pre-existing rights and increase congestion costs. This must be weighed against the need to simplify (by grouping busses). ***Kieran Connolly (BPA-P)*** If we can aggregate some busses it may greatly simplify other parts of congestion and encourage liquidity (e.g. hourly coordination gets subsumed in a group of busses, if they are broken out the deadbands will be expanded and rights holders will have a strong incentive to not convert. ***Shelly Richardson (NRU)*** Dispersed federal resources and federal loads may not work well with a large number of small nodes, or bus-to-bus. ***Jim Toal (PacifiCorp)***	Existing contracts should be catalogued directly to the PODs/PORs listed in the contract. The TO responsible for honoring the existing contract either ensure that the flexibility is maintained in translation or else compensate the PEC holder for the loss of flexibility ***Patrick Maher (Avista)*** The convergence agreement was for bus injection and withdrawal rights. The question that remains is: How many Hubs (and their locations) are needed to make trading easier? From our understanding, it took the market a while even in the PJM model for them to come up with the three major trading hubs that they have. Rather than make the mistake of having "wrong" hubs to start RTOWest, why not leave in the major trading hubs that exist now (mid C, COB, BC>NW) and let everything else start very granualar (bus to bus). In a short time, trading hubs will emerge. When my parents built a new house many years ago, they didn't put in a concrete sidwalk for about a year after they built the house. They explained that it's best to see where the foot traffic naturally goes before you put down concrete. Funny how good philosophies apply to many different applications. ***Phil Mesa (BPA-T)*** Add definition of nodes that allows the RTO to

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	Specifying how load will be distributed across RTOW busbars makes scheduling too complex (and DisCo operations may change this distribution anyway). No problem with large generators: but specifiying nodal injection from small clusters of e.g. hydro or distributed resources could be a problem. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** Simplicity of the economic model and standardization of products are important. There still needs to be an underlying assumption or model on how flows of the system are managed. ***Ron Schellberg (IPC)*** Will a highly granular resolution complicate settlement?	aggregate busses to the extent such aggregation does not increase uplift costs (the old intra-zonal congestion). ***Kieran Connolly (BPA-P)*** Use coherency and other work from earlier stages to determine the minimum granularity. Then compare against the operational constructs (like hourly coordination) that will need to be continued and weigh a lesser coherency standard against the benefits of that aggregation (less band aids and barriers to conversion). ***Shelly Richardson (NRU)*** Larger nodes may reduce complexity, increase liquidity. ***Jim Toal (PacifiCorp)*** A sensible clustering of busbars into 'load zones', and acceptably-incoherent generation zones will develop naturally – we don't need to force the issue. And congestion pricing, while calculated nodally, can be averaged across zones (provided SCs pay the correct aggregated amounts). See also 7 ***Tom Foley*** See A4.

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		Tom Delaney & Phil Muller Flow Distributions Factors that are locked down to a reasonable level of certainly so that counter-schedules and netting to create capacity can be realized. Our ability to create counter-schedules and virtual capacity should not be perpetually at risk because of a myopic-granular grid modeling assumptions. Also see Attachment A. ***Ron Schellberg (IPC)*** To be resolved in C. It is appealing that pricing hubs can be created at will by the market. No need to predispose a fixed set of zones/hubs.
A7. Balance the books – making congestion management revenue neutral	***Ren Orans (BCH)*** Important issue. But the RTO will not be revenue neutral unless the redispatch cost in the PTO's current TRR is peeled off to fund the cost of serving the existing contracts. ***Steve Walton (Enron)*** Avoid unnecessary and excessive uplift	***Ren Orans (BCH)*** The sale of FTO and actual charge on grid uses who do not hold existing contracts likely make the RTO break even for service provided to these customers. The main problem is cost of serving the existing contract holders. Two ways to handle this: (a) ask the PTOs to pay for the cost since they are receiving revenue from the existing contract; (b) bill the cost to all users as a transitional charge.

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	Alan Davis [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** Potential for the RTO to take on incremental costs (e.g., entering into contracts for incs and decs) that are not balanced by FTO revenues. ***D. VanCoevering (UAMPS & PNCG)*** This should be one of the overriding goals. If not accomplished the process will become institutionalized and parties that profit will prevent change. ***Mike Ryan (PGE)*** The question is who will bear the cost (or receive the benefit) in order to balance the congestion management books? ***Nancy Baker (PPC)*** No profit should be made but excess revenue can be	***Steve Walton (Enron)*** The congestion charges are refunded as congestion rents through FTOs with credits up to the cost of congestion. Make explicit charges for all congestion – everyone should see the cost of congestion even if rights credit charges away. Use over collections in some months to cover months with under collections (with marginal prices tendency will be over collection—need to test for this network thought). Auction revenues provide second source of capital for month to month swing cushion. Some pooling of risk is necessary and acceptable to enable practical model. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** Potential for the RTO to take on incremental costs (e.g., entering into contracts for incs and decs) that are not balanced by FTO revenues. ***D. VanCoevering (UAMPS & PNCG)***

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	used to reduce the costs of constructing project to relieve congestion. ***Linc Wolverton (ICNU)*** Costs should follow benefits. The RTO should minimize reliance on administrative allocations. ***Terry Mundorf*** Revenue neutrality does not ensure that there will not be cost shifts among users, or that all parties will pay a fair share of system costs. ***Eric Christensen (SNOPUD)*** Revenue neutrality does not ensure that there will not be cost shifts among users, or that all parties will pay a fair share of system costs. ***Patrick Maher (Avista)*** No specific concerns. ***Phil Mesa (BPA-T)*** "Revenue neutrality" must not create perverse incentives to maintain (not correct) congestion if those revenues benefit PTOs or their Merchant function.	Make congestion management revenue neutral. ***Mike Ryan (PGE)*** I think the answer is that those who purchase FTOs through the RTO auction should share the excess cost or revenue prorated on their share of total FTO-hours sold. Not as clear to me for FTOs from existing contracts ***Nancy Baker (PPC)*** Additional revenues can be used in a construction acct. used to finance new projects to relieve congestion. ***Linc Wolverton (ICNU)*** The market should dictate the vast majority of inter-hub expansions, particularly those that affect differentials in prices between hubs. ***Terry Mundorf*** Congestion management costs incurred by the RTO to increase liquidity should be borne by those who seek to benefit from the increased liquidity, and not by holders of PECs. ***Eric Christensen (SNOPUD)***

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	Kieran Connolly (BPA-P) PTO process to identify facilities and other measures to maintain ATC must show how they are meeting obligations for the initial set of contracts. ***Shelly Richardson (NRU)*** Revenue neutrality does not account for cost shifts among users, or ensure equitable payment for like-kind use among users. ***Jim Toal (PacifiCorp)*** RTOW must be a non-loss-making entity - so long as PAC is expected to pay a %age of its costs. PAC is concerned that FTOs, hubs and scheduling protocol may limit RTOW's ability to clear its CM costs. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** No real concern	Congestion management costs incurred by the RTO to increase liquidity should be borne by those who seek to benefit from the increased liquidity, and not by holders of PECs. ***Patrick Maher (Avista)*** [no comments provided] ***Phil Mesa (BPA-T)*** Need to put in mechanism that removes perverse incentives (possibly by minimizing benefits to PTOs or their merchant and by diverting some of the revenues to fix chronic congestion problems). ***Kieran Connolly (BPA-P)*** A) Examine RTO involvement in Forward Inc/Dec matching. B) Need to further develop the process whereby the PTOs show they are meeting the TOA ATC commitment. C) Current use of curtailment must be incorporated into cataloging and the conversion process – if we make transmission more firm than it is today there will be a mismatch for the RTO. D) Need to figure out liabilities for loop flow effects.

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	Ron Schellberg (IPC) No cost transfer from one set of participants to another set.	***Shelly Richardson (NRU)*** "Preserve contract rights to serve load" in a revenue neutral world means existing contracts do not bear increased costs to create liquidity (those that will use it, pay); and wheeling customers pay proportionate share of assets' embedded costs (company rate). ***Jim Toal (PacifiCorp)*** The CM charging scheme must be designed so that RTOW at least covers its cost in buying inc/decs, etc. Any residual charges (which may be socialised across PTOs) must be minimised, or at least targeted to an annual set figure. See also RTOW incentives & pricing. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** Except, that we expect this RTO to take on reasonable and manageable risk. It would be improper for an RTO, even a non-for-profit RTO, to be so risk adverse that TTC and markets are hampered. ***Ron Schellberg (IPC)***

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		These needs to be assessed in C.
A8. Auction process & interval	*Ren Orans (BCH)* Very important. Suppose the auction only occurs infrequently and the secondary market is thin, a grid user may have a hard time buying FTO for short-term trading. *Steve Walton (Enron)* [no comments provided] *Alan Davis* [no comments provided] *Wally Gibson (NWPPC)* [no comments provided] *Lon Peters (PGP)* Reliance on single-part auctions. Insufficient attention to market power. No distinction between appropriate situations for pay-as-bid and pay-market-clearing.	***Ren Orans (BCH)*** The RTO holds long-term FTO auction quarterly and short-term FTO auction as frequently as daily. ***Steve Walton (Enron)*** Annual, semi-annual, monthly and daily ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** Require the RTO to implement ICAP bidding and other forms of multi-part auctions. Evaluate obligation for Scheduling Coordinators to make capacity available. Require the RTO to evaluate all auction types on a continuing basis and make adjustments, with

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	D. VanCoevering (UAMPS & PNCG) Concern that existing rights may be forced into the auction. *Mike Ryan (PGE)* The RTO should structure the auction process and set the auction intervals in a way that best serves the end users of the transmission rights (i.e. those SC's who actually bring them back to the RTO as part of a "balanced schedule"). Need to discourage speculation and market power. *Nancy Baker (PPC)* Long-term product needed (addressed above). PECs should not be exposed to increased costs so that "excess" capacity can be sold out from under their contracts. *Linc Wolverton (ICNU)* Long-term auction rights—up to 10 years-- should be made available when there is a reasonable, but not 100%, expectation that ATC is available for that time *Terry Mundorf*	appropriate notice, to auction mechanisms to correct problems. ***D. VanCoevering (UAMPS & PNCG)*** Rules should not require existing rights be in the auction. ***Mike Ryan (PGE)*** The RTO should allow SCs to enter limit-price bids for FTOs on the path (and bids for inc/decs that unload the path). Besides actual inc/dec bids, the RTO might also decide to enter inc/dec estimates of what it expects to pay using shorter-term inc/decs). The FTO bids (in descending limit price order) form a stepwise demand curve, while the inc/dec bids (in ascending bid price order) form a stepwise supply curve. The intersection of these two should be the price at which the marginal value of the next FTO is equal to the inc/dec cost to produce it At some point in time, the RTO posts the current auction information (i.e. the bids, which bids are "in the money" for how much and at what price) for all to see. SCs would then have a "window" of time to add/delete/modify their bids. Hopefully the RTO can continuously recalculate and repost the current auction information. At the end of the "window", the auction results become final. FTOs are issued to the winning

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	Auction should be conducted frequently to encourage participation, and should be done via bulletin board to ensure transparency. *Eric Christensen (SNOPUD)* Don't recreate the Cal-PX *Patrick Maher (Avista)* No direct concerns. Obviously need to work out the details. *Phil Mesa (BPA-T)* A) The auction process needs to make sure that those who value transmission the most are awarded the FTOs and that the market initially is set up to trade standardized s/t products. B) Timing of auction needs to fit with the timing of updates of cataloged transmission rights (such as updated PORs). C) Specifics on the auction process are needed before other issues can be identified (need more details) ***Kieran Connolly (BPA-P)*** [no comments provided]	bidders (and bills are sent). I'm a little hazier on what to do with the inc/dec bidders; maybe the RTO pays them a "retainer" that's some percent of their future congestion payment, which they get to keep in the event that the RTO doesn't actually need to call on them (and the RTO pays them a prorated amount of the balance as they are called on). For an auction of monthly rights, maybe the RTO begins taking bids two months in advance, posts the first auction information on the first Monday of the prior month, and closes the auction at COB on the following Friday. I also wonder if the RTO couldn't provide a "buy it now" price (that is some premium over where the RTO expects the auction to end) before the first auction posting is made. I think the RTO could use this same kind of auction for six month, monthly, weekly, and day-ahead FTOs I have a spreadsheet. ***Nancy Baker (PPC)*** [no comments provided] ***Linc Wolverton (ICNU)*** Long-term options for priority to interruptible transmission should be made available for capacity held

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	Shelly Richardson (NRU) Transmission rights may be forced into auction. Non-auctioned transmission rights (springing from non-converted contracts) are not comparably valued with rights springing from converted contracts. ***Jim Toal (PacifiCorp)*** Minor quibble: reference in the Convergence Model document to RTOW <u>continually</u> assessing ATC to be auctioned is misleading: <u>periodically</u> would be clearer. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** No real issue at this time ***Ron Schellberg (IPC)*** Depend on the product	for reserves and for the difference between n and n-1 contingencies. ***Terry Mundorf*** Long term FTO auction should be conducted quarterly at a minimum, and monthly if feasible. More frequent auctions will encourage participation. ***Eric Christensen (SNOPUD)*** The Transmission Exchange should not be a mandatory market and should not artificially constrain markets for FTOs by limiting secondary markets, constraining long-term markets, etc. ***Patrick Maher (Avista)*** [no comments provided] ***Phil Mesa (BPA-T)*** A) Market results (bid and ask prices) should be posted to provide transparency. B) The process and timing of updates to cataloged right should be determined before defining the auction process. C) More details are needed.

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		Kieran Connolly (BPA-P) [no comments provided] ***Shelly Richardson (NRU)*** Transmission rights may participate in auction permissively, are not forced into auction. Non-auctioned transmission rights (springing from non-converted contracts) are comparably valued with rights springing from converted contracts. ***Jim Toal (PacifiCorp)*** As often as traders wish and is sensible. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** All FTOs should be subject to auction and price discovery. The RTO should have an affirmative obligation to create FTOs wherever possible ***Ron Schellberg (IPC)*** [no comments provided]

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A9. Structure of re-dispatch market	***Ren Orans (BCH)*** Should transparent and relatively simple to implement. Also, this must be tied to the AS market. For instance, if AS are cheap, the RTO should just use AS to resolve congestion. ***Steve Walton (Enron)*** How is the day-ahead activity to be done? Is the RTO taking risk to offer ex-ante prices prior to scheduling? Can this be continuous process? Is a day-ahead market the best way to solve the problem? ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** [no comments provided] ***D. VanCoevering (UAMPS & PNCG)***	***Ren Orans (BCH)*** The RTO's congestion charge should be the minimum of (a) inc/dec bids solicited, (b) the AS cost to resolve congestion. ***Steve Walton (Enron)*** In day-ahead???? In real-time balancing, losses, redispatch, etc. should be simultaneous markets. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** [no comments provided] ***D. VanCoevering (UAMPS & PNCG)***

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	[no comments provided] ***Mike Ryan (PGE)*** [no comments provided] ***Nancy Baker (PPC)*** Discussion of this issue requires a full understanding and discussion of the re-dispatch obligations to support existing contract rights. How will the RTO deal with existing re-dispatch obligations? Is each PTO required to provide re-dispatch to support its existing contract obligations or is it required to re-dispatch to support the whole system to the extent that it now does so? To the extent that the re-dispatch obligation is the latter, how will compensation by made by the parties that benefit? How will the RTO handle conflicts between re-dispatch orders and non-power constraints? ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** Predominance of hydro makes re-dispatch market difficult to structure. Voluntary nature sets up	[no comments provided] ***Mike Ryan (PGE)*** [no comments provided] ***Nancy Baker (PPC)*** Pre-existing re-dispatch obligations should be catalogued. Cost-shifts between PTOs should be addressed. ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** Due to the prevalence of hydro generation, and fish obligations associated with it, re-dispatch must be voluntary. However, this runs risk of folks withholding resources until real time to drive up prices. Solution may be to limit participation in real time re-dispatch market to level of participation in preschedule re-dispatch market. ***Eric Christensen (SNOPUD)*** Redispatch structure must recognize constraints of

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	"California" problem. ***Eric Christensen (SNOPUD)*** Constraints on hydro-based system make it difficult to structure a redispatch market; voluntary nature of participation in redispatch allows generators to withhold, artificially driving up price of redispatch ***Patrick Maher (Avista)*** No specific concerns. ***Phil Mesa (BPA-T)*** The RTO will need to have a real-time, day-ahead, as well as forward-looking redispatch market. ***Kieran Connolly (BPA-P)*** [no comments provided] ***Shelly Richardson (NRU)*** Re-dispatch should occur on same priority basis as under contracts to serve loads. ***Jim Toal (PacifiCorp)***	hydro caused by non-power concerns. Mechanisms must be included to prevent generators from withholding to create artificial "pockets" or to drive up price. Market-based approach should be used only where sufficient generator alternatives are available to ensure functional market and no market power abuse. One solution may be to limit participation in real time re-dispatch market to level of participation in preschedule re-dispatch market. ***Patrick Maher (Avista)*** [no comments provided] ***Phil Mesa (BPA-T)*** The re-dispatch market must provide for real-time, day-ahead, as well as forward transactions that are voluntary and not cost-based. ***Kieran Connolly (BPA-P)*** A) Need to figure out relationship/timing of redispatch associated with pre-existing contracts and redispatch for RTO markets. B) Market clearing versus Pay as Bid structures ***Shelly Richardson (NRU)***

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	If this is wrong it could upscrew 7. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** I don't fully understand the concern here. ***Ron Schellberg (IPC)*** How is redispatch stack processed? Can a party hold "congestion" power across a Path? Must be consistent with AS/IOS Market What about Loopflow?	Preserve rights to serve loads; redispatch should be voluntary. ***Jim Toal (PacifiCorp)*** We must carefully design the protocols for accepting and confirming schedules, for placing and contracting for inc/dec options, and the method of cost recovery. Inc/dec bids should be voluntary, market-based and RTOW must have adequate scope to minimise cost of re-dispatch. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** [no comments provided] ***Ron Schellberg (IPC)*** Two pass assessment, First for LSO/FTO obligations then for remaining transactions
A10. A/S & IOS; balancing energy (*also listed under C*)	***Ren Orans (BCH)*** See above	***Ren Orans (BCH)*** See above

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	Steve Walton (Enron) A common source balancing/redispatch market to avoid intra-model arbitrage. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** [no comments provided] ***D. VanCoevering (UAMPS & PNCG)*** [no comments provided] ***Mike Ryan (PGE)*** These issues are much more complex than transmission arrangements for energy, which we are still wrestling with. ***Nancy Baker (PPC)***	***Steve Walton (Enron)*** Simultaneous acquisition of all energy products needed by RTO from bidders. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** [no comments provided] ***D. VanCoevering (UAMPS & PNCG)*** [no comments provided] ***Mike Ryan (PGE)*** Drop these issues until later! ***Nancy Baker (PPC)*** Self-supply must continue to be an option for new and

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	The market design must not inhibit or prevent self-supply and bilateral arrangements for provision of self-supply. ***Linc Wolverton (ICNU)*** Transmission needs for A/S and IOS need to be defined soon. ***Terry Mundorf*** Shift to RTO may inhibit self-provision of these services, thereby reducing available supply. ***Eric Christensen (SNOPUD)*** Shift to RTO may inhibit self-provision of these services, thereby reducing market competition and available supply. ***Patrick Maher (Avista)*** No specific concerns. ***Phil Mesa (BPA-T)*** Ditto	existing contract rights. ***Linc Wolverton (ICNU)*** A/S and IOS should pay the total costs of transmission reserved for their use. ***Terry Mundorf*** The self provision of these services should be permitted under both converted and unconverted contracts. ***Eric Christensen (SNOPUD)*** Self-provision of these services should be permitted under both converted and unconverted contracts. ***Patrick Maher (Avista)*** [no comments provided] ***Phil Mesa (BPA-T)*** Ditto ***Kieran Connolly (BPA-P)*** A) Need to balance RTO desire to substitute products for lower prices with supplier ability to limit how

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	Kieran Connolly (BPA-P) A) IOS providers need to know what they are selling. If the RTO simply moves products around it may shut out suppliers (e.g. if operating reserves are called upon consistently for an Inc or balancing energy then energy constrained hydro will opt out of a market they are otherwise well suited for) B) Concerned that a financial model damages the ability to have broad A/S markets, can't use an Inc/Dec necessarily to move Operating Reserves. C) Concerned the RTO may create "massive AGC" demand (another lesson from the CAISO) ***Shelly Richardson (NRU)*** [no comments provided] ***Jim Toal (PacifiCorp)*** [no comments provided] ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** See Attachment B	generation is used. B) Need to ensure that capacity use of the transmission system is on parity with energy use of the transmission system. C) Need incentives for the RTO to keep aggregate A/S demand close to the cumulative demands of the Filing Utilities prior to RTO. ***Shelly Richardson (NRU)*** [no comments provided] ***Jim Toal (PacifiCorp)*** [no comments provided] ***Tom Foley*** Need to effectuate a viable, active demand-side ancillary services market to reduce the likelihood of market power being exercised. ***Tom Delaney & Phil Muller*** See Attachment B ***Ron Schellberg (IPC)*** [no comments provided]

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	Ron Schellberg (IPC) [no comments provided]	
A11. Seams	***Ren Orans (BCH)*** [no comments provided] ***Steve Walton (Enron)*** Still may need physical right definition at the boundaries. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** Uncoordinated use of incs/decs across a seam and redispatch offers from inside another RTO can lead to unintended congestion and potential security problems. ***Lon Peters (PGP)*** [no comments provided]	***Ren Orans (BCH)*** [no comments provided] ***Steve Walton (Enron)*** [no comments provided] ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** 1 - Same westwide network representation for major paths, so effects of redispatch visible to all RTOs (CAISO and RTO West use redispatch, WestConnect intends to have bilateral redispatch market available) 2 - Coordination mechanism (not sure what) between RTOs to ensure most efficient use of redispatch bids 3 - Assignment of responsibility for management of cross-seam redispatch bids and actions

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	D. VanCoevering (UAMPS) Lack of export charge disadvantages RTO West in Seams discussions and shifts costs to Load Service. ***D. VanCoevering (PNCG)*** Lack of export charge disadvantages RTO West in Seams discussions and shifts costs to Load Service. ***Mike Ryan (PGE)*** [no comments provided] ***Nancy Baker (PPC)*** Cost shift problems must be addressed. ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)*** Entities moving power across RTO West may escape	***Lon Peters (PGP)*** [no comments provided] ***D. VanCoevering (UAMPS)*** Implement a method that avoids cost shift. ***D. VanCoevering (PNCG)*** Implement a volumetric export charge. ***Mike Ryan (PGE)*** [no comments provided] ***Nancy Baker (PPC)*** Export fees are necessary. ***Linc Wolverton (ICNU)*** Seams resolution should be deferred until the benefits/costs study is completed. ***Terry Mundorf*** [no comments provided]

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	responsibility for system costs, especially if they use uncongested paths. ***Patrick Maher (Avista)*** No specific concerns. ***Phil Mesa (BPA-T)*** [no comments provided] ***Kieran Connolly (BPA-P)*** [no comments provided] ***Shelly Richardson (NRU)*** Congestion model may not be compatible with adjoining RTOs and may cause cost shifts (inter- or intra-RTO). ***Jim Toal (PacifiCorp)*** Vital that we develop our position vis-à-vis W/Connect and CaISO. Danger that they (or WMIC) are deciding how RTOW's interface with them shall operate. ***Tom Foley***	***Eric Christensen (SNOPUD)*** Mechanism must be included to ensure that exports pay a fair share of RTO West system costs. ***Patrick Maher (Avista)*** [no comments provided] ***Phil Mesa (BPA-T)*** [no comments provided] ***Kieran Connolly (BPA-P)*** [no comments provided] ***Shelly Richardson (NRU)*** Resolve congestion model seams and pricing seams at same time; cost shifts are not permitted, inter- or intra-RTO. ***Jim Toal (PacifiCorp)*** No ready solutions: this needs work, urgently ***Tom Foley***

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	[no comments provided] ***Tom Delaney & Phil Muller*** Always a concern, but not ripe at this time. ***Ron Schellberg (IPC)*** [no comments provided]	[no comments provided] ***Tom Delaney & Phil Muller*** [no comments provided] ***Ron Schellberg (IPC)*** [no comments provided]
B. <u>Definition of Rights (Cataloging and Conversion)</u>		
B1. Can a person with pre-existing rights use them to withdraw physical capacity from the system?	***Ren Orans (BCH)*** No and to prevent this we prefer "model 2" where all existing rights are suspended and some people receive "use rights" and others tradeable FTOs. ***Steve Walton (Enron)*** Financial rights model will generate "phantom congestion" if parties can artificially constrain system creating a price spread in the dispatch program when no physical constraint is binding. ***Alan Davis*** [no comments provided]	***Ren Orans (BCH)*** [no comments provided] ***Steve Walton (Enron)*** All capacity is used for operations, whether pooled, FTOs or unconverted old contracts. Parties keep the right to schedule on old rights, but not the ability to stop others from scheduling. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)***

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	Wally Gibson (NWPPC) Don't see how this could happen; implies ability to preclude redispatch actions of those without pre-existing rights ***Lon Peters (PGP)*** This needs to be defined more precisely. ***D. VanCoevering (UAMPS & PNCG)*** Only at the time capacity is being used. ***Mike Ryan (PGE)*** [no comments provided] ***Nancy Baker (PPC)*** [no comments provided] ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf***	[no comments provided] ***Lon Peters (PGP)*** It should be acceptable for pre-existing rights to be used in whatever manner the contract holder sees fit, subject probably to anti-hoarding rules (which by the way apply today). ***D. VanCoevering (UAMPS & PNCG)*** Institute rules that prevent capacity going unused but prevent taking existing rights to provide new transmission service. ***Mike Ryan (PGE)*** No. I assume that the RTO would implicitly see this physical capacity as "unused", and it would get factored into its measure of how much additional capacity can be sold (in exchange for some projected congestion costs) in the RTO auction. ***Nancy Baker (PPC)*** PEC rights must not be reduced under the guise of reducing hording. The RTO should address problems of chronic under scheduling on an entity-by-entity basis.

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	[no comments provided] ***Eric Christensen (SNOPUD)*** Pre-existing rights should allow PEC holders to use the system, not hoard. ***Patrick Maher (Avista)*** No specific concerns. ***Phil Mesa (BPA-T)*** The answer must be NO. ***Kieran Connolly (BPA-P)*** No, because the RTO can always use open capacity to fill the "accept all schedules" ***Shelly Richardson (NRU)*** Yes, but liquidity should be encouraged. ***Jim Toal (PacifiCorp)*** PAC sees no major issue. In the Convergence Model, PEK rights are honoured by RTOW, presumably by setting aside sufficient capacity	If the party were thought to be gaming the system, the MMU would be involved. ***Linc Wolverton (ICNU)*** All capacity should ultimately be available for sale. ***Terry Mundorf*** PEC rights should be a right to use, not a right to hoard. If a right is not used, it should be available to be used by others, subject to the holder's PEC rights. Availability should be made in a manner consistent with rights under PECs. ***Eric Christensen (SNOPUD)*** Market monitoring unit should review use of ATC on congested paths. If "phantom congestion" is chronic, that is, ATC is not used despite demand for it, RTO should step in to resell unused capacity and distribute proceeds in a manner that honors obligations under PECs. ***Patrick Maher (Avista)*** [no comments provided] ***Phil Mesa (BPA-T)***

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	to net PEK schedules. We do not regard this as actively 'withdrawing' capacity. Converted PEKs become FTOs – which (tho' this needs clarification) are essentially financial. How can holding an FTO be equated with withdrawing capacity? ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** NO, creating a regime where capacity is hoarded is contrary to FERC 2000 goals and objectives. ***Ron Schellberg (IPC)*** [no comments provided]	This should be a "use it or loose it" construct. ***Kieran Connolly (BPA-P)*** [no comments provided] ***Shelly Richardson (NRU)*** Existing contracts provide manner in which rights may be exercised. Generally rules should prevent rights from being wasted but should not reduce or extinguish existing rights in order to "create liquidity". ***Jim Toal (PacifiCorp)*** PAC will work to better define Catalogued TRs and FTOs. We obviously don't understand the problem – but will collaborate to find solutions to issues with real material impact. ***Tom Foley*** NO ***Tom Delaney & Phil Muller*** As noted below, the Utility proposal excludes existing contracts from the terms of the OATT. This exclusion

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		includes removing the capacity of those contracts from the calculation of TTC, ATC, and even OTC, thus reducing the available Transmission Rights by the capacity of existing contracts. These existing contracts should be placed under the OATT, including the congestion management proposal. ***Ron Schellberg (IPC)*** Model will not allow user to hoard? RTO will sell unused capacity.
B2. Incentives to convert	***Ren Orans (BCH)*** Need to have very strong incentives to convert and no disincentives like 3 year jump ball. ***Steve Walton (Enron)*** Lack of conversions will limit liquidity in FTO trading. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided]	***Ren Orans (BCH)*** The RTO may give 100+ FTO to the holder of a 100 MW network contract. Also, the holder may have some flexibility in choosing which path that the FTO should apply. Of course, this can lead to a windfall gain to the existing contract holder. But the gain is the incentive to convert! ***Steve Walton (Enron)*** 1) Converted rights will have same protection as unconverted rights at 3-yr Review. 2) Converted rights become tradable, while pooled rights are not. (Are holders of pooled rights allow to use buy/sell transactions to hide resale

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	Lon Peters (PGP) Incentives in general should be examined, not just incentives to convert. Also, the entire process of conversion needs more precise description. Potential for RTO to impose sanctions or penalties on parties that do not convert to RTO service. ***D. VanCoevering (UAMPS & PNCG)*** Current rights holders may be forced to subsidize transmission service for new entrants. ***Mike Ryan (PGE)*** Facing a "sunset" in three years, these incentives will have to be compelling. Unless the contract owner can be assured that at least equal value/protection will be derived from the conversion, it would be foolish to convert contract rights. Those who convert contract rights in good faith at the beginning of the process should have the assurance that their rights will still retain commensurate value, regardless of changes in RTO structure or elements. ***Nancy Baker (PPC)***	of pooled rights? Is this acceptable or not?) 3) Rights currently limited to load profile, convertible to peak seasonal quantities. 4) Have separate on and off peak periods. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** Several types of incentives should be identified and the overall framework should be evaluated in terms of those incentives, including: (1) making decisions well ahead of real-time, versus waiting until the last minute; (2) bilateral commitments (including expansion), versus relying on the RTO to solve all problems; (3) colluding versus competing; (4) converting to RTO tariff versus not; (5) converting to financial rights from physical rights; (6) becoming a PTO; and (7) relying on decentralized dispatch versus centralized control of energy markets by the RTO. Prohibition on penalties for non-converting parties, including operating rules for "island" control areas.

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	Incentive must not create cost-shifts. ***Linc Wolverton (ICNU)*** Conversion incentives may subsidize existing transmission owners at the expense of current rate payers. ***Terry Mundorf*** Rights under conversion should be sufficiently attractive to get folks to convert without coercion. ***Eric Christensen (SNOPUD)*** "Incentives" should not be confused with coercion. "Incentives" should not include measures that are counter-productive to creating liquidity ***Patrick Maher (Avista)*** Our concern is that there might be to much of a push to have everyone convert (to appease FERC). ***Phil Mesa (BPA-T)*** Costs of incentives to increase liquidity should not be placed on the "cataloged" rights-holders that have not	***D. VanCoevering (UAMPS & PNCG)*** Incentives should not be charged to current rights holders. ***Mike Ryan (PGE)*** It needs to be clarified what happens to converted rights at the end of three years. Should RTO changes in structure due to the "sunset" clause alter the value of converted FTOs so that they are significantly less than their original value at the time of conversion, parties should be compensated. (However, this protection should not extend to market effects but only to structural changes in the RTO due to the "sunset" clause.) ***Nancy Baker (PPC)*** [no comments provided] ***Linc Wolverton (ICNU)*** The benefits of access to a wider system may be sufficient incentive. Recognize that the system will work, today, if no one converts, and the RTO will have capacity to sell on an expected-value basis.

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	converted to FTOs (this would create a perverse financial penalty for not converting). ***Kieran Connolly (BPA-P)*** Incentives can't have "bonuses" that aren't created by the conversion, otherwise you have to 1) pay for those bonuses by penalizing the non-converted or 2) you have created an unfunded position for the RTO. ***Shelly Richardson (NRU)*** To whom are incentives offered (converters of NT and PTP? Non-888 contracts?)?; and who pays (if anyone). ***Jim Toal (PacifiCorp)*** To the extent that FTOs are a 'get out of jail free' card, PAC sees a strong incentive not to be last to convert. If correct, this must be resolved as it contravenes the principle of optional conversion. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** The Utility proposal is at odds with creating a robust	***Terry Mundorf*** The ability to sell FTOs and to access the OASIS should be sufficient incentive to convert, so long as ability to return to PEC at congestion management sunset is assured. ***Eric Christensen (SNOPUD)*** Ability to trade FTOs should be sufficient incentive to convert provided that mechanisms such as partial conversion, return to PEC at sunset, etc., are available. The RTO should encourage trading in unused rights from unconverted PECs by, for example, allowing availability of such rights to be posted on the OASIS. ***Patrick Maher (Avista)*** Conversion should be voluntary. If the contract owner is loosing revenue to the market he will want to convert. ***Phil Mesa (BPA-T)*** Costs of incentives to increase liquidity should be shared among those wanting to gain such rights ***Kieran Connolly (BPA-P)***

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	competitive generation market. Conversion should be required and NO further <u>sweetener</u> offered to "incent" conversion. See Attachment "Existing Contracts" ***Ron Schellberg (IPC)*** Who Pays?	Conversion process must reflect the non-converted use of the system. ***Shelly Richardson (NRU)*** All transmission rights should be permitted to "convert". Existing rights holders should not be the deep pockets to cover costs of "incentives". Incentive to convert will be enhanced if converted contract permitted to revert to contract if "convergence" model "sunsets". ***Jim Toal (PacifiCorp)*** The true value of an FTO as a hedge against CM costs needs better definition, as does the trading of hub-to-hub FTOs. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** It should require that RTO West define Existing Contracts as contracts executed prior to the first Commission order approving the RTO West *[See, e.g., Midwest Independent Transmission System Operator*

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		Inc., 84 FERC ¶61,231 (1998)]. In addition, it should be required that parties to existing contracts negotiate in good faith to convert existing contracts to the RTO West Tariff, or require the PTOs to adopt a measured approach to convert Existing Contracts to the RTO West Tariff *[See Order No. 2000 at 31,205; see also GridFlorida, LLC, 94 FERC 61,363 at 62,337 (2001) (approving GridFlorida's proposal for transitioning existing agreements to the GridFlorida OATT)]*. ***Ron Schellberg (IPC)*** Purchasers of the converted rights should pay.
B3. Load growth – How will it be handled?	***Ren Orans (BCH)*** If the conversion includes future load growth, it will increase the cost of serving converted FTO. ***Steve Walton (Enron)*** Local load growth will be used to eat up "through system" capacity. ***Alan Davis*** [no comments provided]	***Ren Orans (BCH)*** Load growth provision should have an ending date. Otherwise the contract holder would always enjoy a cost advantage over users without existing contracts. ***Steve Walton (Enron)*** Make consistent with Order No. 888 rights for increased use of existing system and honoring existing contracted rights. All parties treated on the same basis for system expansion. ***Alan Davis***

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	Wally Gibson (NWPPC) [no comments provided] ***Lon Peters (PGP)*** Current contracts contain the right to serve load growth, although that is addressed differently for NT and PTP-type services. ***D. VanCoevering (UAMPS & PNCG)*** Current contract will not be honored. ***Mike Ryan (PGE)*** [no comments provided] ***Nancy Baker (PPC)*** Load growth provisions of PECs must be honored. ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** RTO will result in loss of PEC rights for load growth	[no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** Current rights should not be diminished. The definition of the bus-to-hub, hub-to-hub, and hub-to-bus segments during the cataloguing process should reflect all pre-existing rights to transmission capacity to serve load growth. ***D. VanCoevering (UAMPS & PNCG)*** Honor non-converted contracts. ***Mike Ryan (PGE)*** [no comments provided] ***Nancy Baker (PPC)*** [no comments provided] ***Linc Wolverton (ICNU)***

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	under NT contracts. ***Eric Christensen (SNOPUD)*** [no comments provided] ***Patrick Maher (Avista)*** No specific concerns. ***Phil Mesa (BPA-T)*** The provision in the TOA to provide load growth up to ATC will be very difficult to implement without a pure physical rights model. ***Kieran Connolly (BPA-P)*** [no comments provided] ***Shelly Richardson (NRU)*** "Convergence model" does not provide for load growth and thus doesn't honor transmission rights for load service (federal NT) through the term of existing contracts. ***Jim Toal (PacifiCorp)***	Follow the Stage 1 agreement. ***Terry Mundorf*** Load growth for NT customers should be accommodated up to the capacity of the federal system without additional re-dispatch costs. If additional re-dispatch costs are incurred to serve load growth, they should be included in the company rate. ***Eric Christensen (SNOPUD)*** [no comments provided] ***Patrick Maher (Avista)*** [no comments provided] ***Phil Mesa (BPA-T)*** Annual adjustments should be included to allow for load growth (up to ATC) and change in POR/PODs as allowed by the pre-existing contract. Adjustments should apply to "cataloged" rights as well as "cataloged" tools from PTO to support TTC. ***Kieran Connolly (BPA-P)*** For contracts that allow for load growth the cataloging

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	PAC believes this is either covered by the PEK (and so will be honoured by RTOW) or implicit in RTOW's backstop authority for expansion to cover load adequacy (i.e. the PTO or other body must be granted additional rights to serve the increased load concomitant with the expansion it is obliged to provide). There is a question about converted FTOs: do they expand? ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** Ability to retain excess rights under auspices of serving native load growth should be limited to avoid manipulation by PTOs attempting to maintain competitive advantage for its generation resources. ***Ron Schellberg (IPC)*** Load growth protected from congestion	process will have to allow for load growth updates. Also means the PTOs may have to update "how" they are meeting those obligations if there is not sufficient ATC to cover it. ***Shelly Richardson (NRU)*** Load growth for NT must be covered up to federal ATC without direct assignment of additional costs. To capture the principle of "preserve contract rights to serve load" redispatch costs covered by company rate. ***Jim Toal (PacifiCorp)*** Load growth should be accommodated through the Company Rate Period. We need to address the linkage between TRs and load growth expansion obligations, and how to deal with converted FTOs, especially those not traded. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** Provide limited window (3-5 years) for increasing FTOs for load service, available only to entities not otherwise required to participate in RTO.

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		Ron Schellberg (IPC) New load must pay for congestion. If PTO provided this protection to a customer, PTO must provide the required redispatch thru the life of the contract.
B4. Schedules changes after close of pre-schedule (schedule adjustment period); how does it work with FTOs, non-converted rights? (*also listed under C*)	***Ren Orans (BCH)*** The cost of schedule change, if feasible, should not be borne by other users. ***Steve Walton (Enron)*** Must allow parties to adjust for changes in the market. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** [no comments provided]	***Ren Orans (BCH)*** If the change is possible, the party requesting the change should pay for the cost of the change. ***Steve Walton (Enron)*** 1) Allow schedule changes as long as they can be physically executed – critical to liquidity in energy markets. 2) FTOs settle against usage. If a day-ahead settlement use FTOs against Day-Ahead Prices, but then let unused FTOs (value in excess of cost) carry over to real-time. 3) Non-converted rights honored, i.e., credit away congestion charges up to the level of contract rights. ***Alan Davis*** [no comments provided]

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	D. VanCoevering (UAMPS & PNCG) If the dead band is large enough this may not be a problem, but contract may not be honored. ***Mike Ryan (PGE)*** I don't like the implication that the "schedule adjustment period" is outside of the prescheduling process. All SC's should be required to have "balanced schedules" at the close of the schedule adjustment process. ***Nancy Baker (PPC)*** The RTO must ensure that existing rights may be exercised. If changes occur after preschedule and prior to delivery, those schedules must be honored to the extent that rights permit the changes. ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** Congestion management should not result in diminution of existing rights to change preschedules for service to native load.	***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** All non-converted rights to change schedules after close of pre-schedule must be preserved and honored in the cataloging process. ***D. VanCoevering (UAMPS & PNCG)*** Honor non-converted contracts ***Mike Ryan (PGE)*** SC's should be given a short time to readjust their balanced schedules (with revised "limit prices") before the RTO reanalyzes all the schedules. (This reanalysis shouldn't affect the costs assigned to SC's "balanced" prior to this; the changes in congestion costs should be borne by those who are rebalancing.) If the RTO must again reject a portion of any balanced schedules, then the unbalanced parties must submit a third (and final) set of balanced SC's – but this time "limit prices" are not allowed. The important thing here is to have balanced schedules at the close of preschedule!

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	Eric Christensen (SNOPUD) Congestion management should not result in diminution of existing rights to change preschedules for service to native load, to nominate alternative PODs and PORs, etc. ***Patrick Maher (Avista)*** No specific concerns. ***Phil Mesa (BPA-T)*** Allowance for schedule changes must balance the RTO's need for operational certainty/security and the preservation of pre-existing rights to flexibility. ***Kieran Connolly (BPA-P)*** Needs further development ***Shelly Richardson (NRU)*** "Convergence" model locks in capacity available for load service at preschedule (24 hours before real-time) – thereafter the load serving entity faces 100% of the congestion clearing cost between preschedule and real-time. This is a diminution of current contract holders'	***Nancy Baker (PPC)*** Post-preschedule schedule changes should be allowed without the assessment of congestion fees if they are necessitated by: 1) forced outages (transmission or generation); 2) non-power constraints; or 3) forecasting error. A properly designed, modest dead band could be acceptable to mitigate the impact of other unforeseen events. ***Linc Wolverton (ICNU)*** The RTO should make a judgment based on analyses of how much capacity it can reasonable sell for short-, medium- and long term. Once sold and the revenue credited to rate payers, those contracts should be honored. Changes after pre-schedule per contract provisions should be permitted and the costs of making good on those contracts should be uplifted to the same account to which revenues are credited. ***Terry Mundorf*** Changes to schedules after preschedule should include changes for operating constraints, forced outages, forecast error for native load, with a modest deadband to cover unforeseen events.

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	rights. ***Jim Toal (PacifiCorp)*** This will be covered by the scheduling protocol. But SCs will be liable for the CM costs incurred for schedule changes outside of some tolerance (not the deadband). ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** Schedule Changes under this proposal give a superior flexibility right to TOs to change schedules by allowing an extra bandwidth of flexibility. ***Ron Schellberg (IPC)*** Cost of schedule changes should be transfer to other users.	***Eric Christensen (SNOPUD)*** Changes to schedules after preschedule should include changes for operating constraints, forced outages, forecast error for native load, and a deadband to cover unforeseen events. ***Patrick Maher (Avista)*** [no comments provided] ***Phil Mesa (BPA-T)*** All schedules should be allowed to make changes up to a "lock-down" period for good cause (not discretionary changes). Discretionary changes should be allowed only if congestion is not worsened or within a limited "deadband" (applicable to "catalogued" rights only unless the RTO specifically sells that "feature" for use on a IW schedule.) ***Kieran Connolly (BPA-P)*** Needs further development ***Shelly Richardson (NRU)*** Changes to preschedules due to load forecast changes

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		non-power constraints, forced outages &/o unanticipated RTO errors should be allowed for transmission service to loads under existing contracts; any costs associated with same (e.g., redispatch costs) should be spread among all schedules. ***Jim Toal (PacifiCorp)*** The deadband for schedule changes (for Catalogued TRs only) needs to be defined. Schedule changes outside the deadband and schedule changes for FTOs and RTSs will face the full cost of any additional congestion (or curtailment). ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** TOs should get "get out of jail" congestion credits as offered in the CMCG option 9. Comparability of incumbents to non-incumbents should be the goal. We must ALL have the same ability, terms, conditions and rules of changing schedules. As mentioned in "B2" above, contracts should be converted. Those that truly cannot be converted will have written, verifiable operational rules, and subject to

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		ADR which shall conform to the terms of that contract. ***Ron Schellberg (IPC)*** Changes should be allowed provided there is no impact on congestion. Where there is a increase in congestion, parties making the change should bear the costs of the increased congestion
B5. Cataloging and conversion – (defining rules, mechanism); Is partial conversion permitted?	***Ren Orans (BCH)*** Partial conversion is not a good idea because the existing contract holder can cream skim the conversion process. ***Steve Walton (Enron)*** Cherry picking will increase the risk of under collection of congestion costs. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided]	***Ren Orans (BCH)*** It should be all or nothing on conversion and all existing contracts between PTOs should be suspended. ***Steve Walton (Enron)*** Individual contracts can be converted, contract by contract, but "Load Service Obligation" or network service (the pooled obligations) ought to be either done or not done not half-way in and half-way out. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided]

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	Lon Peters (PGP) Conversion from physical to financial rights should be permitted in both the MW and time dimensions. ***D. VanCoevering (UAMPS & PNCG)*** Cataloging may not include all existing rights ***Mike Ryan (PGE)*** Rightsholders should not be harmed by rules allowing partial conversion. ***Nancy Baker (PPC)*** Partial conversion should be allowed in order to enhance liquidity. ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** Liquidity needs to be obtained without abrogating rights under PECs. ***Eric Christensen (SNOPUD)***	***Lon Peters (PGP)*** The minimum amount of any such conversion should be 1 MW, consistent with the scheduling rules. The minimum duration of any such conversion should be one day; the maximum duration should be the life of the pre-existing contract. These minimum criteria are necessary to support the evolution of liquid markets in converted hub-to-hub rights. ***D. VanCoevering (UAMPS & PNCG)*** Honor non-converted contracts ***Mike Ryan (PGE)*** Partial conversion must enable the rights holder to retain the full sum value of the rights, converted and unconverted. ***Nancy Baker (PPC)*** All pre-existing rights should be catalogued. This cataloguing process should be used as the basis for conversion so that the rules used do not disadvantage those who choose to either not convert or to convert later in the process.

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	Liquidity cannot be created at the expense of holders of rights under PECs. Requiring a limited set of feasible dispatches for conversion will significantly erode the value of PTP contracts. ***Patrick Maher (Avista)*** Partial conversion should not be permitted. ***Phil Mesa (BPA-T)*** A) Cataloging rules need to have sufficient clarity so that all contracts are treated on the same footing. B) Overall partial conversion will add to liquidity (good) and should be encouraged however the partial conversion must not result in "overuse" of catalogued rights (sum of the parts must not exceed the whole). C) We need to be clear as to the legal construct of "cataloged" contracts (is service assigned to the RTO?). ***Kieran Connolly (BPA-P)*** Partial conversion should be encouraged, and should be fairly easy for PTP. We need to be very careful with	***Linc Wolverton (ICNU)*** There should be neither diminution nor enhancement of contracts through the cataloguing and conversion process. ***Terry Mundorf*** Partial conversion (both in time and in amount) should be permitted to foster liquidity and to discourage hoarding. ***Eric Christensen (SNOPUD)*** See answers to A-2, A-3, A-5 and A-6, above. Conversion of PTP contracts should be based upon stated Contract Demands for each POD and POR, not on feasible dispatch. ***Patrick Maher (Avista)*** Cataloguing and the issues of who takes risk will be complicated enough. Partial conversions would just make a complicated process more complicated. ***Phil Mesa (BPA-T)*** A) Cataloging rules should treat all contracts

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	partial conversion of Network and other flexible contracts so we aren't creating "new" rights and shorting the rights. The former creates a stampede to conversion that results in an overallocation problem, the latter is a barrier to conversion ***Shelly Richardson (NRU)*** ***THESE ARE SEPARATE ISSUES***. B5a. Cataloging and conversion –(defining rules, mechanism); a) Congestion model cannot diminish transmission rights necessary to serve load, converted or non-converted contracts treated equitably. B5b. Is partial conversion permitted? b) Partial conversion should be permitted. ***Jim Toal (PacifiCorp)*** We support partial conversion of PEKs as being consistent with the principle of voluntary conversion. One concern to be addressed would be the risk of increased residual congestion cost faced by PEK holders.	consistently and should be based on the principle of existing rights should not be diminished nor enhanced as a result of the cataloging process. B) Rules for partial conversions should allow total conversion for a limited period of time (in 6 month blocks) or partial conversion for limited periods so long as the sum of the parts do not exceed the whole. ***Kieran Connolly (BPA-P)*** Need to assess the volume of "low hanging fruit" for conversion (diversity ATC offered by the RTO and PTP contracts). ***Shelly Richardson (NRU)*** a) Cataloging accounts for injections and withdrawals for all transmission rights (PECs, LSOs, PNCA, treaty, etc.) whether converted or not; existing flexibility preserved whether contract converted or not. b) Partial conversion may be either temporal or capacity limited. ***Jim Toal (PacifiCorp)*** The rules for cataloguing and converting rights will need to be carefully worked out. But we do not think

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	Tom Foley [no comments provided] ***Tom Delaney & Phil Muller*** See Attachment "Existing Contracts" 6 month feasible dispatch revision is unacceptable tool for market manipulation ***Ron Schellberg (IPC)*** Would partial conversion change the way or rights are used?	we have enough time (before the Filing deadline) for a 'trial run' to see what the complete outcome is. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** As mentioned in "B2" above, contracts should be converted. Those that truly cannot be converted will have written, verifiable operational rules, and subject to ADR which shall conform to the terms of that contract. ***Ron Schellberg (IPC)*** Not sure yet that a partial conversion can be permitted
B6. Overselling / making adequate transfer capability available to honor existing rights / LSO	***Ren Orans (BCH)*** The PTO oversold transmission now enjoys the revenue. It should also be responsible for the cost of serving the extra FTO. ***Steve Walton (Enron)*** Shift of costs from customers of one PTO to all users in the uplift.	***Ren Orans (BCH)*** Bill the PTO for the cost of serving the extra FTO. Alternatively, the PTO can buy the extra FTO from the contract holders. ***Steve Walton (Enron)*** Possibility: After rights are cataloged, simultaneous feasibility test used to determine the level that could be

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	Alan Davis [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** There appear to be several issues here, which should be broken apart and clearly articulated. ***D. VanCoevering (UAMPS & PNCG)*** Some paths may be oversold Lights go out because of exports ***Mike Ryan (PGE)*** Again, rightsholders should be able to retain the full value of their rights throughout this process – their position should not be worsened. ***Nancy Baker (PPC)*** Over allocation of the system must not increase the costs allocated to PFCs. The risk and costs must be	honored by RTO if no uplift. Difference between total right and supportable right used in settlement, with customer getting full credit, but part of credit arises by billing the original party for the oversold component. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** [no comments provided] ***D. VanCoevering (UAMPS & PNCG)*** Over-seller responsible for cost Exports that use the system for free should be cut before the lights go out ***Mike Ryan (PGE)*** [no comments provided] ***Nancy Baker (PPC)***

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	borne by the parties that purchase those FTOs and receive the benefit. ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)*** See second answer in A-2 above. ***Patrick Maher (Avista)*** No specific concerns. ***Phil Mesa (BPA-T)*** A) PTOs should be held to the Stage 1 agreement as described in the TOA. B) The issue of overselling will be problematic unless PTOs clearly define what "tools" they will turn over to the RTO to make good on TTC. ***Kieran Connolly (BPA-P)***	The RTO will sell FTOs on a day-to-day basis. It is expected that they will make forecasting errors and potentially oversell the system. To the extent that this is a rare occurrence – the cost incurred will be offset by FTO revenues. If the RTO is not recovering the costs through revenues, or if the RTO is regularly overselling the system it must reevaluate its risk/forecasting parameters. ***Linc Wolverton (ICNU)*** See B4. ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)*** RTO should have well-defined guidelines and risk management mechanisms to limit this risk. See also second answer to A-2, above. ***Patrick Maher (Avista)*** [no comments provided] ***Phil Mesa (BPA-T)***

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	[no comments provided] ***Shelly Richardson (NRU)*** "Convergence" model presently does not account for the RTO "overselling" transmission capacity; if same occurs to detriment of existing load service obligation, this is a diminution of current contract holders' rights. ***Jim Toal (PacifiCorp)*** The 'overselling' problem is linked to the long-term commitments PTOs are making under the Pricing model. However PAC is concerned at the glib assumption that those PTOs responsible for overselling can readily be identified and their liability (for ongoing congestion costs) quantified and memorialised in the Pricing model or the Rights Catalogue. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** Utilities overselling their system should not be socialized and LSO should be limited to a single feasible dispatch of FTOs or hedges.	A) Assuming that "overselling" can be shown, PTOs should provide tools comparable to those used by the PTO today to address overselling. B) PTOs should provide a "catalog" of resources that the RTO will have access to maintain TTC (e.g. Phase Shifters, redispatch services, etc.) ***Kieran Connolly (BPA-P)*** [no comments provided] ***Shelly Richardson (NRU)*** See A.7, B.3 and B.4 among others. ***Jim Toal (PacifiCorp)*** Document and define what constitutes overselling, and quantify PTOs due liability for this. This needs to be done both for Catalogued TRs and for FTOs translated from PEKs. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller***

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	Ron Schellberg (IPC)	As it was agreed to in previous CMCG Options offered, to the extent that there is over allocation of system capacity redispatch cost must be allocated to the TO [or culprit] that sold such services. ***Ron Schellberg (IPC)***
C. <u>Scheduling and System Operation</u>		
C1. Day-ahead scheduling process	***Ren Orans (BCH)*** How the congestion cost quote is determined is important. Is the quote the end of period quote? Or is the quote posted and settled continuously? ***Steve Walton (Enron)*** Simplicity and clarity ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided]	***Ren Orans (BCH)*** To facilitate trading, a continuous posting and settlement process is more useful. ***Steve Walton (Enron)*** Something like: 1) Day ahead schedules received by X hrs including both bids and offers for incremental energy supply or capacity calls (available for added reserves) 2) Schedules checked for feasibility. If calls necessary to meet reserve/feasibility RTO executes. Limit price transactions dropped in process before acquiring energy supply or capacity calls to meet re-dispatch. 3) Schedules verified.

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	Lon Peters (PGP) [no comments provided] ***D. VanCoevering (UAMPS & PNCG)*** May be too complex ***Mike Ryan (PGE)*** [no comments provided] ***Nancy Baker (PPC)*** [no comments provided] ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)*** [no comments provided] ***Patrick Maher (Avista)***	4) Check made between load in "balanced schedules" and the forecasted total load. Acquire added capacity calls to cover load from hour to hour, with cost of such calls to be charged to parties who are short as the cost of reserve shortfalls in real time if they failed to forecast load correctly. (The RTO's forecasting error and minimization of such call costs can be a measure of the efficiency) 5) Added schedules accepted until the cut off to real time when they are physically executable. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** [no comments provided] ***D. VanCoevering (UAMPS & PNCG)*** Make simple enough for mere mortals. The more complex, the less transparent and greater the risk of market failure.

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	No specific concerns. ***Phil Mesa (BPA-T)*** We need to be clear on who does what and when. ***Kieran Connolly (BPA-P)*** [no comments provided] ***Shelly Richardson (NRU)*** [no comments provided] ***Jim Toal (PacifiCorp)*** Vital that we develop workable, effective processes that do not overburden traders and SCs. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** See A3, and B4. ***Ron Schellberg (IPC)***	***Mike Ryan (PGE)*** [no comments provided] ***Nancy Baker (PPC)*** [no comments provided] ***Linc Wolverton (ICNU)*** No specific concerns. ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)*** [no comments provided] ***Patrick Maher (Avista)*** [no comments provided] ***Phil Mesa (BPA-T)*** Details should include roles and responsibilities of the catalog rights holder, the entity requesting transmission

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	[no comments provided]	schedule, the Scheduling Coordinator, and the RTO. ***Kieran Connolly (BPA-P)*** Need to have some kind of iteration for Congestion that allows the redispatch for PTO commitments to clear separately and before redispatch for RTO markets. ***Shelly Richardson (NRU)*** [no comments provided] ***Jim Toal (PacifiCorp)*** [no comments provided] ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** See A3, and B4. ***Ron Schellberg (IPC)*** [no comments provided]

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C2. Losses – included in balanced scheduled?	***Ren Orans (BCH)*** A user can self-provide losses. ***Steve Walton (Enron)*** Complexity of loss model trade-off against accuracy. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** A proposed approach for treatment of losses is required first. ***D. VanCoevering (UAMPS & PNCG)*** [no comments provided] ***Mike Ryan (PGE)*** [no comments provided]	***Ren Orans (BCH)*** The RTO should allow self-provision of line loss. A user can also buy line loss (i.e., real time energy) from the RTO. ***Steve Walton (Enron)*** Use a zonal loss model suggested in Phase 1 to measure losses with respect to standard bus in on and off peak periods. Using the published set of loss factors, allow parties to schedule losses or to buy them in the energy balancing market. Pre-schedule losses used at real-time settlement in balancing market. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** Losses could be either purchased or returned. ***D. VanCoevering (UAMPS & PNCG)***

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	Nancy Baker (PPC) [no comments provided] ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)*** [no comments provided] ***Patrick Maher (Avista)*** Everyone using the system should pay for losses. If there is overpayment from total system values then the "rate" could be adjusted down. ***Phil Mesa (BPA-T)*** Yes ***Kieran Connolly (BPA-P)*** Regardless of methodology and scheduling practice	[no comments provided] ***Mike Ryan (PGE)*** Drop these issues until later! But if we can't, then an after-the-fact assessment using hub (zonal) balancing energy prices seems reasonable to me. ***Nancy Baker (PPC)*** [no comments provided] ***Linc Wolverton (ICNU)*** Provision for losses should be included as part of a balanced schedule. Loss replacement likely must be done on a flow-path basis. ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)*** [no comments provided] ***Patrick Maher (Avista)*** Our feeling is that losses should be paid using a "Loss

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	must be able to protect oneself from the cost of losses ***Shelly Richardson (NRU)*** [no comments provided] ***Jim Toal (PacifiCorp)*** Overlooked too long in CMCG. We have to address this – at least at principle level - for the Filing. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** Losses should be included in balanced schedules. ***Ron Schellberg (IPC)*** Can these be self-supplied?	Factor" distance rate. ***Phil Mesa (BPA-T)*** [no comments provided] ***Kieran Connolly (BPA-P)*** Self Provision must be allowed and the RTO must make loss factors available (not Ex Post loss factors) ***Shelly Richardson (NRU)*** [no comments provided] ***Jim Toal (PacifiCorp)*** We need to develop applicable principle, and ensure that it fits in with the Converged Model for CM ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** Simply put, schedules can include schedule/delivered losses of Scheduling Coordinators should have the option to allow the RTO as the provider of last resort

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		furnish losses and send us a bill making losses financial. ***Ron Schellberg (IPC)*** Concurrently, Yes. Issue about where.
C3. Settlement mechanics – transparency; are those with rights that protect them from congestion costs billed and then credited?	***Ren Orans (BCH)*** The settlement process should be transparent as possible. ***Steve Walton (Enron)*** Failure of users with existing pooled or unconverted rights to recognized the value of congestion costs their rights are covering. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** [no comments provided]	***Ren Orans (BCH)*** The RTO bills every user for their congestion cost charges. Those with FTOs can get a bill credit. ***Steve Walton (Enron)*** Explicitly bill all congestion and then credit the rights to produce net bill, similar to a cell phone bill with long distance rights. Transparency is aided because everyone sees prices and their effects. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)***

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	D. VanCoevering (UAMPS & PNCG) May be too complex. ***Mike Ryan (PGE)*** [no comments provided] ***Nancy Baker (PPC)*** [no comments provided] ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)*** The new settlement process is likely to be more complex than before, requiring a steep learning curve for all concerned. ***Patrick Maher (Avista)***	[no comments provided] ***D. VanCoevering (UAMPS & PNCG)*** Make simple enough for mere mortals. The more complex, the less transparent and greater the risk of market failure. ***Mike Ryan (PGE)*** Yes ***Nancy Baker (PPC)*** [no comments provided] ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)*** Utilize a consistent well-defined method/practice (e.g., BPA) and require RTO to educate/train/certify new comers.

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	No specific concerns. ***Phil Mesa (BPA-T)*** [no comments provided] ***Kieran Connolly (BPA-P)*** Don't care if it doesn't add to settlement complexity, but have to balance workload with effectiveness. If existing LSE is the SC for the great majority of Customer loads they won't see the RTO bill anyway (they will see a LSE bill that translates RTO charges). ***Shelly Richardson (NRU)*** [no comments provided] ***Jim Toal (PacifiCorp)*** How are schedules 'covered by' FTOs treated in settlements? This seems to have been ignored in Convergence Model description. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller***	***Patrick Maher (Avista)*** [no comments provided] ***Phil Mesa (BPA-T)*** Yes, to provide price signals (even if they aren't direct). ***Kieran Connolly (BPA-P)*** May get value simply by RTO posting the prices and not bothering with a charge/credit. ***Shelly Richardson (NRU)*** [no comments provided] ***Jim Toal (PacifiCorp)*** This needs careful consideration, so as not to voilate the principle of item A7 ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller***

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	Comparability should require that we all be treated exactly the same ***Ron Schellberg (IPC)*** This issue needs significant work. RTO West does not have a workable congestion model until it can describe how the congestion is Identified, Dispatched, and Settled with those responsible for the incurred congestion.	Everyone should be treated the same. To not do so would create a two-tier credit worthiness burden. ***Ron Schellberg (IPC)*** Two pass redispatch, LSO/FTO First then others First redispatch allocated to parties based upon pre-existing contract, PTO or Uplift Second redispatch allocated based upon XXX price. Settlement needs to have price signal that load/generation can respond to
C4. Granularity - bus to bus? Nodes? (*also listed under A*)	See above	See above
C5. Schedules changes after close of pre-schedule (schedule adjustment period), how does it work with FTOs, non-converted rights? (*also listed under B*)	See above	See above ***Tom Delaney & Phil Muller*** Some kind of redispatch option to cover potential over-scheduled position may be appropriate. Other schedule changes related to FTOs that cause congestion could be "pre-announced" to avoid potential imbalance penalties – would still be subject to real time prices.
C6. "Day of" (Operating	***Ren Orans (BCH)***	***Ren Orans (BCH)***

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Day) Service	Once accepted and confirmed, the RTO should simply implement the transactions. To be sure, the RTO may have to charge each transaction for reserve capacities (unless they have been self-provided) and real time energy if actually used. ***Steve Walton (Enron)*** Parties must be allowed to adjust to changes in the market. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** [no comments provided] ***D. VanCoevering (UAMPS & PNCG)*** [no comments provided] ***Mike Ryan (PGE)***	The AS market has not been developed. This will take some time, unless the RTO West is going to use the AS market mechanism adopted by the CA ISO and WestConnect. ***Steve Walton (Enron)*** Allow schedule changes as long as they can be physically executed – critical to liquidity in energy markets. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** [no comments provided] ***D. VanCoevering (UAMPS & PNCG)*** [no comments provided] ***Mike Ryan (PGE)***

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	[no comments provided] ***Nancy Baker (PPC)*** [no comments provided] ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)*** [no comments provided] ***Patrick Maher (Avista)*** No specific concerns. ***Phil Mesa (BPA-T)*** [no comments provided] ***Kieran Connolly (BPA-P)***	[no comments provided] ***Nancy Baker (PPC)*** [no comments provided] ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)*** [no comments provided] ***Patrick Maher (Avista)*** [no comments provided] ***Phil Mesa (BPA-T)*** [no comments provided] ***Kieran Connolly (BPA-P)***

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	Needs further development ***Shelly Richardson (NRU)*** [no comments provided] ***Jim Toal (PacifiCorp)*** [no comments provided] ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** SEE C1 ***Ron Schellberg (IPC)*** [no comments provided]	Needs further development ***Shelly Richardson (NRU)*** [no comments provided] ***Jim Toal (PacifiCorp)*** [no comments provided] ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** SEE C1 ***Ron Schellberg (IPC)*** [no comments provided]
C7. A/S & IOS; Balancing energy (*also listed under A*)	See above	See above
C8. Contingencies and curtailment	***Ren Orans (BCH)***	***Ren Orans (BCH)***

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	The RTO should have authority to curtail in the case of emergency (as defined by the existing engineering standards). ***Steve Walton (Enron)*** Curtailments should only occur when the physical system cannot accommodate service. ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** [no comments provided] ***D. VanCoevering (UAMPS & PNCG)*** [no comments provided] ***Mike Ryan (PGE)*** [no comments provided]	Since most, if not all, transactions are pre-scheduled with, accepted and confirmed by the RTO, the RTO has little basis to curtail one transaction before another. Possible ways to deal with this: (a) pro rata curtailment; or (b) RTO selling curtailment insurance. ***Steve Walton (Enron)*** [no comments provided] ***Alan Davis*** [no comments provided] ***Wally Gibson (NWPPC)*** [no comments provided] ***Lon Peters (PGP)*** [no comments provided] ***D. VanCoevering (UAMPS & PNCG)*** [no comments provided] ***Mike Ryan (PGE)***

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	Nancy Baker (PPC) PECs covered to the extent expressed in their contracts, tariff or PTO current business practices. ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)*** Existing rights to firm service must be honored. ***Patrick Maher (Avista)*** No specific concerns. ***Phil Mesa (BPA-T)*** Is there a hierarchy for curtailment and is it appropriate? ***Kieran Connolly (BPA-P)***	[no comments provided] ***Nancy Baker (PPC)*** PEC rights must be catalogued and honored with respect to curtailment rights. ***Linc Wolverton (ICNU)*** [no comments provided] ***Terry Mundorf*** [no comments provided] ***Eric Christensen (SNOPUD)*** Curtailment priority should be: (1) schedules uncovered by FTOs, in reversed order received; (2) FTOs; (3) rights from PECs. ***Patrick Maher (Avista)*** [no comments provided] ***Phil Mesa (BPA-T)*** Curtailment should be done in the following order: 1)

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	To the extent FTOs are not subject to curtailment how do you keep from inflating the set of rights a pre-existing contract holder gets? ***Shelly Richardson (NRU)*** [no comments provided] ***Jim Toal (PacifiCorp)*** Long lead time from DA schedule lockdown to real-time leaves scope for load surges, unit failures, etc. ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller*** No priority of services in FTO holders and netschedules/counterschedules should be considered a firm service if scheduled/offered as "obligations" ***Ron Schellberg (IPC)*** [no comments provided]	IW schedules that were altered after preschedule, 2) IW schedules not altered, 3) "catalogued" schedules that were altered after preschedule, and finally 4) "catalogued" schedules not altered. ***Kieran Connolly (BPA-P)*** Need to figure out how existing curtailment practices are reflected in Catalog and subsequent conversion ***Shelly Richardson (NRU)*** [no comments provided] ***Jim Toal (PacifiCorp)*** Much of the work on FTR term sheet is applicable. But we have to consider what opportunity SCs have to revise their scheduled position post-contingency. What added costs will they face in consequence, and how large does deadband or tolerance have to be to assist? ***Tom Foley*** [no comments provided] ***Tom Delaney & Phil Muller***

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		Load Service Obligations, Holders of FTOs and those using net schedules or Counter schedules should be treated as firm service. In fact, counter schedules or net schedules create capacity and in many instances are a firmer serve then most See attachment A. ***Ron Schellberg (IPC)*** [no comments provided]

From Linc Wolverton (ICNU):

Spokane – Seattle Example

Suppose a seller seeks a 100 MW injection / withdrawal right from Spokane to Seattle and is willing to pay for upgrades necessary to eliminate congestion for that path. Suppose further that, per a flow-path study, the necessary enhancement is on a line going between Celilo and Portland. What does the seller get for his $X million in upgrade payments? There are two principal choices:

1. FTO rights on a Celilo to Portland line for the life of the upgrade.
2. FTO rights for some, undetermined time for an injection in Spokane and a withdrawal in Seattle.

Is Number 2 at all workable?

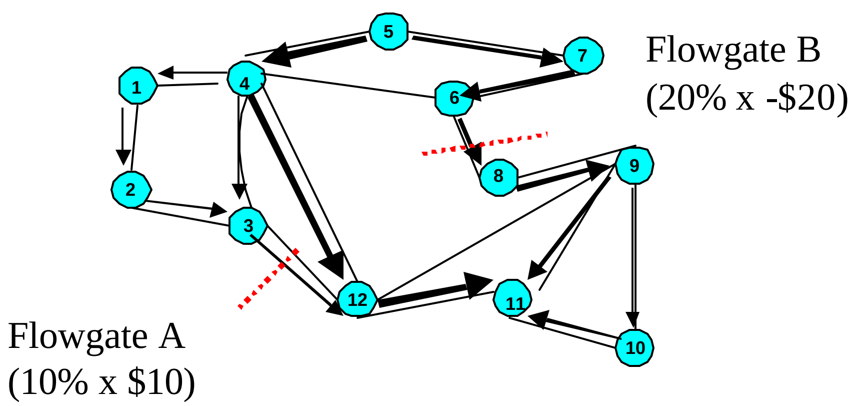
Attachment A

Market participants should be allowed to create and realize the value of "counterflows" that they place on the grid.

Utilities currently net-schedule and create counter-flows to create capacity and benefit from diversity on the system. In an RTO environment, anyone that can create counter-schedules or net schedules on their own should be allowed the right to the value of such transactions. To do this the RTO must create a mechanism that allows counter-schedules to be created and honored. The underlining flows of the system can be captured in Flow Distribution Factors to create counter-flows.

Flowgate capacity should be allowed and even encouraged by market participants who net schedules and create counterflows. Furthermore, participants should be allowed to sell rights to the capacity they create. Since counterflows effectively increase the capacity of the constrained system, physical capacity and flowgate capacities would remain aligned. By committing[1] to schedule an injection and withdrawal pair that will create a set of counterflows, an entity will be able to offer the capacity and thus FTOs made available to other market participants. Revenue from the sale of rights created by such counterflows motivates participants to redispatch generation to mitigate congestion, much as a system operator would do in a traditional congestion management system. In effect, counterflows are creating extra capacity that would not exist otherwise, so participants should be allowed FTO's for this added value that they bring to the grid.

The example illustrated below assumes that the direction of flowgate B is reversed, creating a counterflow from location 5 to location 11. In this case, the price of moving power from location 5 to location 11 is actually negative. This transaction has the overall effect of mitigating congestion in the network, so it the parties to the transaction earn rights to Flowgate B, which they can use themselves or sell in the open market, as they choose.



Total Transmission Cost 5 -> 11 = .1 x $10 + .2 x -$20 = $-3

[1] Commitment means that the entity receiving the right produced by the counter-flow would be responsible for real time congestion costs if the counter-flow does not appear.

Attachment B

Why Self-Tracking is unacceptable

The concept of a "self-tracking system" that would permit their existing Control Area Operator ("CAOs") to continue to act as CAOs, *while allowing those CAOs to remain market participants*. We believes that such "self-tracking" may be problematical and will be rejected by the Commission based on past decisions. Self-tracking systems never have an energy imbalance which is anti-competitive. This issue permits a utility to self-supply everything in the balancing market and has the effect of reducing this valuable market to a very small scale. While Order 2000 acknowledges that not all CAO functions need to be turned over to the RTO, the underlying presumption is that the CAOs must be independent of market participants. Under a hierarchical control structure, "existing control centers are not replaced, but continue to operate, *independent from market participants*, as satellite control centers reporting to the RTO master control center." (Order 2000, p.280). The current RTO West proposal does not meet this requirement.

> *"We conclude that control area operators should face the same costs and price signals as other transmission customers and, therefore, also should be required to clear system imbalances through a real-time balancing market. We believe that providing options for clearing imbalances that differ among customers would be unduly discriminatory." (Order 2000, p.425)*

There is further precedent with regard to this issue. The FERC stated in its order to the Midwest ISO that:

> *Unequal access to balancing options for individual customers can lead to unequal access in the quality of transmission service available to different customers. This could be a significant problem for RTOs that serve some customers who operate control areas and other customers who do not. Under current NERC regulations, control area operators have access to inadvertent energy accounts so they can pay back imbalances in kind and thereby avoid any penalties. In contrast, non-control area transmission customers do not have access to such accounts. Instead, under the pro forma tariff, load-serving entities are subject to a deadband and then penalties if the magnitude of their imbalances falls outside the deadband. Our concern, as we stated in our Midwest ISO order, is that "nondiscriminatory access would suffer" under such a system.* [2] *Therefore, the Commission proposes to require that RTOs operate a real-time balancing market that would be available to all transmission customers, or ensure that this task is performed by another entity not affiliated with market participants.* [3]

The FERC has spoken in plain English on this issue, and there can be NO denying the fact that control areas <u>must</u> be reduced to entities that receive the secure operative plan from the RTO and only operate the system in case of emergencies. For RTO West to meet its objectives, the roles of the CAOs must be redefined in a properly proscribed hierarchical structure. If control areas need more generation to balancing loads and resources in real-time, then control areas should call upon RTO West to provide the correct generators to the control areas for ancillary services needed in real-time, and not the other way around.

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[2] Midwest ISO, 84 FERC at 62,155.

[3] FERC has already approved such markets for four ISOs. <u>See</u>, <u>e.g.</u>, PJM Interconnection, L.L.C., Order Accepting In Part and Rejecting In Part Proposed Revisions To Rate Schedules, September 16, 1998 and New England Power Pool, "Order Conditionally Accepting Market Rules and Conditionally Approving Market Based Rates, 85 FERC ¶61,379 (1998). These markets generally allow all transmission customers to settle their imbalances at real time energy market prices.

On the other hand, it does make sense to endorse some fundamental principles that should guide the proposed implementation of a “self-tracking” concept:

1. A self-tracking proposal must be competitively neutral, creating no advantages for incumbent self-trackers over non-incumbent self-trackers.
2. A self-tracking proposal must not give the self-tracking SC any data (real-time or otherwise) from another SC
3. A self-tracking proposal that relies on the use of grid-level boundary meters (rather than customer-level meters) must require that those meters are installed and paid for by the self-tracking SC; they cannot be charged to the transmission ratebase
4. A self-tracking proposal must allow self-tracking to be equally available to all SCs.
5. A self-tracking SC must not be given preferential access to transmission data or competitors’ resource data.
6. Non-self-tracking SCs should be completely oblivious to whether or not another SC has chosen to self-track. A self-tracking SC should impose no burdens on its competitors. The non-self-tracking SC should schedule, meter and settle as if the self-tracking SC did not exist, and should be responsible for operating and for balancing its loads and resources as if the self-tracking SC did not exist.
7. A non-self-tracking SC should not be required to have any business relationship whatsoever with its competitor, the self-tracking SC.